

CITIGROUP INC
Form 10-K
February 24, 2006

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THE COMPANY

Citigroup Inc. (Citigroup and, together with its subsidiaries, the Company) is a diversified global financial services holding company whose businesses provide a broad range of financial services to consumer and corporate customers. Citigroup has more than 200 million customer accounts and does business in more than 100 countries. Citigroup was incorporated in 1988 under the laws of the State of Delaware.

The Company is a bank holding company within the meaning of the U.S. Bank Holding Company Act of 1956 registered with, and subject to examination by, the Board of Governors of the Federal Reserve System (FRB). Some of the Company's subsidiaries are subject to supervision and examination by their respective federal and state authorities. At December 31, 2005, the Company had approximately 140,000 full-time and 8,000 part-time employees in the United States and approximately 159,000 full-time employees outside the United States. The Company has completed certain strategic business acquisitions and divestitures during the past three years, details of which can be found in Notes 2 and 3 to the Consolidated Financial Statements on page 118 and 119, respectively.

The principal executive offices of the Company are located at 399 Park Avenue, New York, New York 10043, telephone number 212-559-1000. Additional information about Citigroup is available on the Company's Web site at www.citigroup.com. Citigroup's annual report on Form 10-K, its quarterly reports on Form 10-Q, its current reports on Form 8-K, and all amendments to these reports are available free of charge through the Company's Web site by clicking on the "Investor Relations" page and selecting "SEC Filings." The Securities and Exchange Commission (SEC) Web site contains reports, proxy and information statements, and other information regarding the Company at www.sec.gov.

Citigroup is managed along the following segment and product lines:

The following are the six regions in which Citigroup operates. The regional results are fully reflected in the product results.

CITIGROUP INC. AND SUBSIDIARIES

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

	2005	2004	2003	2002	2001
<i>In millions of dollars, except per share amounts</i>					
Revenues, net of interest expense	\$ 83,642	\$ 79,635	\$ 71,594	\$ 66,246	\$ 61,621
Operating expenses	45,163	49,782	37,500	35,886	35,026
Provisions for credit losses and for benefits and claims	9,046	7,117	8,924	10,972	7,666
Income from continuing operations before taxes, minority interest, and cumulative effect of account changes	\$ 29,433	\$ 22,736	\$ 25,170	\$ 19,388	\$ 18,929
Income taxes	9,078	6,464	7,838	6,615	6,659
Minority interest, net of taxes	549	218	274	91	87
Income from continuing operations before cumulative effect of accounting changes	\$ 19,806	\$ 16,054	\$ 17,058	\$ 12,682	\$ 12,183
Income from discontinued operations, net of taxes(1)	4,832	992	795	2,641	2,101
Cumulative effect of accounting changes, net of taxes(2)	(49)			(47)	(158)
Net Income	\$ 24,589	\$ 17,046	\$ 17,853	\$ 15,276	\$ 14,126
Earnings per share					
Basic earnings per share:					
Income from continuing operations	\$ 3.90	\$ 3.13	\$ 3.34	\$ 2.48	\$ 2.40
Net income	4.84	3.32	3.49	2.99	2.79
Diluted earnings per share:					
Income from continuing operations	3.82	3.07	3.27	2.44	2.35
Net income	4.75	3.26	3.42	2.94	2.72
Dividends declared per common share	\$ 1.76	\$ 1.60	\$ 1.10	\$ 0.70	\$ 0.60
At December 31					
Total assets	\$ 1,494,037	\$ 1,484,101	\$ 1,264,032	\$ 1,097,590	\$ 1,051,850
Total deposits	592,595	562,081	474,015	430,895	374,525
Long-term debt	217,499	207,910	162,702	126,927	121,631
Mandatorily redeemable securities of subsidiary trusts(3)	6,264	6,209	6,057	6,152	7,125
Common stockholders' equity	111,412	108,166	96,889	85,318	79,722
Total stockholders' equity	112,537	109,291	98,014	86,718	81,247
Ratios:					
Return on common stockholders' equity(4)	22.3%	17.0%	19.8%	18.6%	19.7%
Return on total stockholders' equity(4)	22.1	16.8	19.5	18.3	19.4
Return on risk capital(5)	38	35	39		
Return on invested capital(5)	22	17	20		
Tier 1 capital	8.79%	8.74%	8.91%	8.47%	8.42%
Total capital	12.02	11.85	12.04	11.25	10.92
Leverage(6)	5.35	5.20	5.56	5.67	5.64
Common stockholders' equity to assets	7.46%	7.29%	7.67%	7.77%	7.58%
Total stockholders' equity to assets	7.53	7.36	7.75	7.90	7.72
Dividends declared(7)	37.1	49.1	32.2	23.8	22.1
Ratio of earnings to fixed charges and preferred stock dividends	1.79x	2.00x	2.41x	1.89x	1.58x

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- (1) Discontinued operations for 2001 to 2005 include the operations (and associated gain) described in the Company's June 24, 2005 announced agreement for the sale of substantially all of its Asset Management business to Legg Mason. The transaction closed on December 1, 2005. Discontinued operations from 2001 to 2005 also includes the operations (and associated gain) described in the Company's January 31, 2005 announced agreement for the sale of Citigroup's Travelers Life & Annuity, substantially all of Citigroup's international insurance business and Citigroup's Argentine pension business to MetLife Inc. The transaction closed on July 1, 2005. On August 20, 2002, Citigroup completed the distribution to its stockholders of a majority portion of its remaining ownership interest in Travelers Property Casualty Corp. (TPC). Following the distribution, Citigroup began accounting for TPC as discontinued operations. As such, 2001 to 2002 also reflect TPC as a discontinued operation. See Note 3 to the Consolidated Financial Statements on page 119.
- (2) Accounting change of (\$49) million represents the adoption of Financial Accounting Standards Board (FASB) Interpretation (FIN) 47, "Accounting for Conditional Asset Retirement Obligations, an interpretation of SFAS No. 143." Accounting change of (\$47) million in 2002 resulted from the adoption of the remaining provisions of Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). Accounting changes of (\$42) million and (\$116) million in 2001 resulted from the adoption of SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), and the adoption of Emerging Issues Task Force (EITF) Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets" (EITF 99-20), respectively.
- (3) During 2004, the Company deconsolidated the subsidiary issuer trusts in accordance with FIN 46-R. For regulatory capital purposes, these trust securities remain a component of Tier 1 Capital. See "Capital Resources and Liquidity" section on page 83.
- (4) The return on average common stockholders' equity and return on average total stockholders' equity are calculated using net income after deducting preferred stock dividends.
- (5) Risk capital is defined as the amount of capital required to absorb potential unexpected economic losses resulting from extremely severe events over a one-year time period. Return on risk capital is calculated as net income divided by average risk capital. Invested capital is defined as risk capital plus goodwill and intangible assets excluding mortgage servicing rights, which are a component of risk capital. Return on invested capital is calculated using income adjusted to exclude a net internal charge Citigroup levies on the goodwill and intangible assets of each business offset by each business' share of the rebate of the goodwill and intangible asset charge. Return on risk capital and return on invested capital are non-GAAP performance measures. Management uses return on risk capital to assess businesses' operational performance and to allocate Citigroup's balance sheet and risk capital capacity. Return on invested capital is used to assess returns on potential acquisitions and to compare long-term performance of businesses with differing proportions of organic and acquired growth. For a further discussion on risk capital, see page 58.
- (6) Tier 1 capital divided by adjusted average assets.
- (7) Dividends declared per common share as a percentage of net income per diluted share.

MANAGEMENT'S DISCUSSION AND ANALYSIS

2005 in Summary

During 2005, we shifted our business mix more toward the distribution of financial services, with the sales of our Asset Management and Travelers Life & Annuities businesses. We reorganized our U.S. Consumer business to more closely integrate our product offerings to better meet the needs of our customers. We focused on organic investment, adding more than 200 retail bank branches and nearly 350 consumer finance branches during the year, most of them outside of the U.S.

All of these changes reflect our competitive advantages:

our global presence,

broad distribution,

valuable brand,

unmatched scale and efficiency,

and product breadth.

These advantages combined to generate net income of \$24.6 billion in 2005. Income was well diversified by segment, product and region, as shown in the charts below. Results in 2005 included a \$2.1 billion after-tax gain on the sale of the Travelers Life & Annuities Business and a \$2.1 billion after-tax gain on the sale of the Asset Management Business. Income from Continuing Operations (which excludes the gains from these transactions and the historical results from these businesses) was \$19.8 billion.

Income from Continuing Operations

In billions of dollars

2005 Income by Segment*

*Excludes Corporate/Other and Discontinued Operations.

2005 Income by Region*

*Excludes Alternative Investments, Corporate/Other and Discontinued Operations.

Diluted Earnings Per Share - Income from Continuing Operations

Revenues increased 5% from 2004, reaching \$83.6 billion. Our international operations recorded revenue growth of 7% in 2005, including a 12% increase in International Consumer. A 10% increase in International Consumer loans, 23% increase in international investment product sales, 8% increase in *U.S. Cards* purchase sales, and 9% increase in U.S. Consumer loans drove Global Consumer volume growth. CIB revenues grew by 10%, with particularly strong performance in *Transaction Services*. *Capital Markets and Banking* finished the year ranked #1 in equity underwriting and #2 in completed mergers and acquisitions activity. Higher equity market valuations led to significantly increased results in Alternative Investments.

A challenging business environment and competitive pricing pressures during 2005 accentuated the impact of flattening global yield curves, which drove a decline in net interest revenue. This spread compression negatively impacted the Company's operating leverage ratios, particularly in *U.S. Cards* and *Capital Markets and Banking*.

Revenue growth benefited from increased loan volumes, including corporate loan growth of 13% and consumer loan growth of 4%. *Transaction Services* assets under custody increased 9% and *Smith Barney* client assets increased 16%.

Total Deposits
In billions of dollars

Operating expenses decreased 9% from the previous year, primarily reflecting the absence of the \$7.9 billion WorldCom and Litigation Reserve Charge and the \$400 million charge related to closing the Japan Private Bank, which were both recorded in 2004. Expenses in 2005 reflected a \$600 million release from the WorldCom and Litigation Reserve Charge. Excluding these items, operating expenses increased 10% in 2005, reflecting increased investment spending, the impact of foreign exchange, and an increase in other legal expenses. Investment spending included, among other things, the addition of Consumer branches and investments in technology.

Net Revenue and Operating Expense
In billions of dollars

Despite the negative impact of the U.S. bankruptcy law change and Hurricane Katrina, the global credit environment remained favorable; however, total credit costs increased \$1.9 billion, primarily due to the absence of the reserve releases recorded during 2004. The effective tax rate increased 241 basis points to 30.8% for the year, primarily reflecting the impact of indefinitely invested international earnings and other items on the lower level of pretax earnings in 2004 due to the impact of the WorldCom and Litigation Reserve Charge.

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During 2005, we maintained our focus on disciplined capital allocation and returns to our shareholders. Our equity capital base and trust preferred securities grew to \$118.8 billion at December 31, 2005. Stockholders' equity increased by \$3.2 billion during 2005 to \$112.5 billion, even with the distribution of \$9.1 billion in dividends to common shareholders and the repurchase of \$12.8 billion of common stock during the year. Return on common equity was 22.3% for 2005.

Return on Average Common Equity

The Board of Directors increased the quarterly common dividend by 10% during 2005 and by an additional 11% in January 2006, bringing the current quarterly payout to \$0.49 per share. Citigroup maintained its "well-capitalized" position with a Tier 1 Capital Ratio of 8.79% at December 31, 2005.

Total Capital (Tier 1 and Tier 2)

In billions of dollars

During 2005, we made progress towards our goal of ensuring that all of our businesses are best in class; we grew our Global Consumer franchise; and significantly expanded our International businesses. Our Five Point Plan was a priority during 2005, and we met every deadline for implementation. We also continued to resolve our legal and regulatory issues. And we promoted a new generation of business leaders.

Outlook for 2006

We enter 2006 optimistic and well-positioned to gain from our competitive advantages.

We are a global company with an unparalleled presence around the world. We have operations in 100 countries and customers in nearly 50 more, with 40% of our revenues in 2005 from outside of the U.S. The international market for goods and services is more than twice the size of, and is growing at a faster rate than the U.S. market, leading to significant opportunities for us globally.

Our strategic initiatives for 2006 include the expansion of both our international and U.S. distribution. Our pace of opening branches and distribution points will accelerate. We plan to transfer our expertise and market knowledge from business to business and region to region. We will continue to invest in technology and people, integrating these investments across the Company. To do each of these effectively, disciplined capital allocation is fundamental to our strategic process.

We expect to continue to achieve growth in loans, deposits and other customer activity as we add distribution points and continue to enhance our product offerings.

During 2006, we will continue to build on our Shared Responsibilities and strive to exceed our customers' needs.

Citigroup's financial results are closely tied to the external global economic environment. Movements in interest rates and foreign exchange rates present both opportunities and risks for the Company. Weakness in the global economy, credit deterioration, inflation, and geopolitical uncertainty are examples of risks that could adversely impact our earnings.

We expect revenue growth in 2006 to continue to reflect some pressure from the flat yield curve in the U.S. and many international markets, as well as a competitive pricing environment in the U.S. We look for these to be more than offset by continued strong growth in our customer businesses, particularly outside the U.S., as the investments we have made in our businesses are reflected in our results. We will continue to be disciplined in our expense management, while investing for our future. Credit is stable as we enter 2006.

Although there may be volatility in our results in any given year, over time we look for our revenues to grow at a mid to high single-digit rate, with strong expense and credit management driving earnings and earnings per share growth at a faster level. We look to augment this growth rate over time through targeted acquisitions.

A detailed review and outlook for each of our business segments and products are included in the discussions that follow, and the risks are more fully discussed on pages 19 to 51.

Certain of the statements above are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 95.

EVENTS IN 2005

Certain of the statements below are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 95.

Sale of Asset Management Business

On December 1, 2005, the Company completed the sale of substantially all of its Asset Management Business to Legg Mason, Inc. (Legg Mason) in exchange for Legg Mason's broker-dealer business, \$2.298 billion of Legg Mason's common and preferred shares (valued as of the closing date), and \$500 million in cash. This cash was obtained via a lending facility provided by Citigroup Corporate and Investment Banking. The transaction did not include Citigroup's asset management business in *Mexico*, its retirement services business in *Latin America* (both of which are now included in *International Retail Banking*) or its interest in the CitiStreet joint venture (which is now included in *Smith Barney*). The total value of the transaction at the time of closing was approximately \$4.369 billion, resulting in an after-tax gain to Citigroup of approximately \$2.082 billion (\$3.404 billion pretax). This gain remains subject to final closing adjustments.

Concurrently, Citigroup sold Legg Mason's Capital Markets business to Stifel Financial Corp. (The transactions described in these two paragraphs are referred to as the "Sale of the Asset Management Business").

Upon completion of the Sale of the Asset Management Business, Citigroup added 1,226 financial advisors in 124 branch offices from Legg Mason to its Global Wealth Management business.

Additional information can be found in Note 3 to the Consolidated Financial Statements on page 119.

Sale of Travelers Life & Annuity

On July 1, 2005, the Company completed the sale of Citigroup's Travelers Life & Annuity and substantially all of Citigroup's international insurance businesses to MetLife, Inc. (MetLife). The businesses sold were the primary vehicles through which Citigroup engaged in the Life Insurance and Annuities business.

Citigroup received \$1.0 billion in MetLife equity securities and \$10.830 billion in cash, which resulted in an after-tax gain of approximately \$2.120 billion (\$3.386 billion pretax). This gain remains subject to final closing adjustments.

The transaction encompassed the Travelers Life & Annuity's U.S. businesses and its international operations, other than Citigroup's life insurance business in *Mexico* (which is now included within *International Retail Banking*). International operations included wholly owned insurance companies in the United Kingdom, Belgium, Australia, Brazil, Argentina, and Poland; joint ventures in Japan and Hong Kong; and offices in China. The transaction also included Citigroup's Argentine pension business. (The transaction described in the preceding three paragraphs is referred to as the "Sale of the Life Insurance and Annuities Business").

Additional information can be found in Note 3 to the Consolidated Financial Statements on page 119.

Change in EMEA Consumer Write-off Policy

Prior to the third quarter of 2005, certain Western European consumer portfolios were granted an exception to Citigroup's global write-off policy. The exception extended the write-off period from the standard 120-day policy for personal installment loans, and was granted because of the higher recovery rates experienced in these portfolios. Citigroup recently observed lower actual recovery rates, stemming primarily from a change in bankruptcy and wage garnishment laws in Germany and, as a result, rescinded the exception to the global standard. The net charge was \$332 million (\$490 million pretax) resulting from the recording of \$1.153 billion of write-offs and a corresponding utilization of \$663 million of reserves in the 2005 third quarter. These write-offs, along with the underlying portfolio performance, caused the 90-day delinquency rate for the Consumer EMEA portfolio to decline to 1.29% at December 31, 2005, compared to 3.36% at December 31, 2004.

These write-offs did not relate to a change in the portfolio credit quality but rather to a change in environmental factors due to law changes and consumer behavior that led Citigroup to re-evaluate its estimates of future long-term recoveries and their appropriateness to the write-off exception.

A slight upward movement in net charge-offs may occur in *EMEA* in the near term due to the timing of the write-offs, now at 120 days, versus the longer period of time over which recoveries will be realized. The Company is in the process of adjusting its collection strategies in *EMEA* to reflect the revised write-off time frame.

Impact from Hurricane Katrina

The Company recorded a \$222 million after-tax charge (\$357 million pretax) for the estimated probable losses incurred from Hurricane Katrina. This charge consists primarily of additional credit costs in *U.S. Cards*, *U.S. Commercial Business*, *U.S. Consumer Lending* and *U.S. Retail Distribution* businesses, based on total credit exposures of approximately \$3.6 billion in the Federal Emergency Management Agency (FEMA) Individual Assistance designated areas. This charge does not include an after-tax estimate of \$75 million (\$109 million pretax) for fees and interest due from related customers that were waived during 2005.

United States Bankruptcy Legislation

On October 17, 2005, the Bankruptcy Reform Act (or the Act) became effective. The Act imposes a means test to determine if people who file for Chapter 7 bankruptcy earn more than the median income in their state and could repay at least \$6,000 of unsecured debt over five years. Bankruptcy filers who meet this test are required to enter into a repayment plan under Chapter 13, instead of canceling their debt entirely under Chapter 7. As a result of these more stringent guidelines, bankruptcy claims accelerated prior to the effective date. The incremental bankruptcy losses over the Company's estimated baseline in 2005 that was attributable to the Act in *U.S. Cards* business was approximately \$970 million on a managed basis (\$550 million in the Company's on balance sheet portfolio and \$420 million in the securitized portfolio). In addition, the *U.S. Retail Distribution* business incurred incremental bankruptcy losses of approximately \$90 million during 2005.

Bank and Credit Card Customer Rewards Costs

During the 2005 fourth quarter, the Company conformed its global policy approach for the accounting of rewards costs for bank and credit card customers. Conforming the global policy resulted in the write-off of \$354 million after-tax (\$565 million pretax) of unamortized deferred rewards costs. Previously, accounting practices for these costs varied across the Company. The revised policy requires all businesses to recognize rewards costs as incurred.

Sale of Nikko Cordial Stake

On December 13, 2005, Citigroup and Nikko Cordial agreed that Citigroup would reduce its stake in Nikko Cordial from approximately 11.2% to 4.9%. The sale resulted in an after-tax gain of \$248 million (\$386 million pretax). In connection with this sale, Nikko Cordial and Citigroup each contributed an additional approximately \$175 million to their joint venture, Nikko Citigroup Limited.

Sale of the Merchant Acquiring Businesses

In December 2005, Citigroup sold its European merchant acquiring business to EuroConex for \$127 million. This transaction resulted in a \$62 million after-tax gain (\$98 million pretax).

In September 2005, Citigroup sold its U.S. merchant acquiring business, Citigroup Payment Service Inc., to First Data Corporation for \$70 million, resulting in a \$41 million after-tax gain (\$61 million pretax).

Homeland Investment Act Benefit

The Company's results from continuing operations include a \$198 million tax benefit from the Homeland Investment Act provision of the American Jobs Creation Act of 2004, net of the impact of remitting income earned in 2005 and prior years that would otherwise have been indefinitely invested overseas. The amount of dividends that were repatriated relating to this benefit is approximately \$3.2 billion.

Copelco Litigation Settlement

In 2000, Citigroup purchased Copelco Capital, Inc., a leasing business, from Itochu International Inc. and III Holding Inc. (collectively "Itochu") for \$666 million. During 2001, Citigroup filed a lawsuit asserting breach of representations and warranties, among other causes of action, under the Stock Purchase Agreement entered into between Citigroup and Itochu in March of 2000. During the 2005 third quarter, Citigroup and Itochu signed a settlement agreement that mutually released all claims, and under which Itochu paid Citigroup \$185 million.

Mexico Value Added Tax (VAT) Refund

During the 2005 third quarter, Citigroup Mexico received a \$182 million refund of VAT taxes from the Mexican government related to the 2003 and 2004 tax years as a result of a Mexico Supreme Court ruling. The refund was recorded as a reduction of \$140 million (pretax) in other operating expense and \$42 million (pretax) in other revenue.

Legal Settlements and Charges for Enron and WorldCom Class Action Litigations and for Other Regulatory and Legal Matters

The Company is a defendant in numerous lawsuits and other legal proceedings arising out of alleged misconduct in connection with:

- (i) underwritings for, and research coverage of, WorldCom;
- (ii) underwritings for Enron and other transactions and activities related to Enron;
- (iii) transactions and activities related to research coverage of companies other than WorldCom; and
- (iv) transactions and activities related to the IPO Securities Litigation.

During the 2004 second quarter, in connection with the settlement of the WorldCom class action, the Company re-evaluated and increased its reserves for these matters. The Company recorded a charge of \$7.915 billion (\$4.95 billion after-tax) relating to (i) the settlement of class action litigation brought on behalf of purchasers of WorldCom securities, and (ii) an increase in litigation reserves for the other matters

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described above. Subject to the terms of the WorldCom class action settlement, and its eventual approval by the courts, the Company will make a payment of \$2.57 billion pretax to the WorldCom settlement class. In addition, subject to the terms of the Enron class action settlement, and its eventual approval by the courts, the Company will make a payment of \$2.01 billion pretax to the Enron settlement class.

During the fourth quarter of 2005, in connection with an evaluation of these matters and as a result of the favorable resolution of certain WorldCom/Research litigation matters, the Company re-evaluated its reserves for these matters and released \$600 million (\$375 million after-tax) from this reserve. As of December 31, 2005, the Company's litigation reserve for these matters, net of settlement amounts previously paid, the amounts to be paid upon final approval of the WorldCom and Enron class action settlements and other settlements arising out of the matters above not yet paid, and the \$600 million release that was recorded during the 2005 fourth quarter, was approximately \$3.3 billion.

The Company believes that this reserve is adequate to meet all of its remaining exposure for these matters. However, in view of the large number of these matters, the uncertainties of the timing and outcome of this type of litigation, the novel issues presented, and the significant amounts involved, it is possible that the ultimate costs of these matters may exceed or be below the reserve. The Company will continue to defend itself vigorously in these cases, and seek to resolve them in the manner management believes is in the best interests of the Company.

The Company continues to evaluate its reserves on an ongoing basis. See Legal Proceedings on page 175.

Acquisition of Federated Credit Card Portfolio and Credit Card Agreement With Federated Department Stores

On June 2, 2005, Citigroup announced that it had agreed to enter into a long-term agreement with Federated Department Stores, Inc. (Federated) under which the companies will partner to manage Federated's credit card business, including existing and new accounts.

Under the agreement Citigroup will acquire Federated's approximately \$6.3 billion credit card receivables portfolio in three phases. For the first phase, which closed on October 24, 2005, Citigroup acquired Federated's receivables under management, totaling approximately \$3.3 billion. For the second phase, additional Federated receivables, which total approximately \$1.2 billion, are expected to be transferred to Citigroup in the 2006 second quarter from the current provider. For the final phase, Citigroup expects to acquire, in the 2006 third quarter, the approximately \$1.8 billion credit card receivable portfolio of The May Department Stores Company (May), which recently merged with Federated.

Citigroup is paying a premium of approximately 11.5% to acquire each of the portfolios. The multi-year agreement also provides Federated the ability to participate in the portfolio based on credit sales and certain other performance metrics of the portfolio after the receivable sale is completed.

The Federated and May credit card portfolios comprise a total of approximately 17 million active accounts.

Settlement of the Securities and Exchange Commission's Transfer Agent Investigation

On May 31, 2005, the Company completed the settlement with the Securities and Exchange Commission (SEC), disclosed by Citigroup in January 2005, resolving an investigation by the SEC into matters relating to arrangements between certain *Smith Barney* mutual funds (the Funds), an affiliated transfer agent, and an unaffiliated sub-transfer agent.

Under the terms of the settlement, Citigroup paid a total of \$208 million, consisting of \$128 million in disgorgement and \$80 million in penalties. These funds, less \$24 million already credited to the Funds, have been paid to the U.S. Treasury and will be distributed pursuant to a distribution plan prepared by Citigroup and to be approved by the SEC. The terms of the settlement had been fully reserved by Citigroup in prior periods.

Resolution of the 2004 Eurozone Bond Trade

As announced on June 28, 2005, Citigroup paid \$7.29 million to the U.K. Financial Services Authority (FSA) during the 2005 third quarter relating to trading activity in the European government bond and bond derivative markets on August 2, 2004. The Company also relinquished to the FSA approximately \$18.2 million in profits generated by the trade. In Italy, Citigroup was suspended from trading on the Multilateral Trading System (MTS) domestic electronic bond trading platform for one month beginning November 1, 2005.

Merger of Bank Holding Companies

On August 1, 2005, Citigroup merged its two intermediate bank holding companies, Citigroup Holdings Company and Citicorp, into Citigroup Inc. Coinciding with this merger, Citigroup assumed all existing indebtedness and outstanding guarantees of Citicorp.

During the 2005 second quarter, Citigroup also consolidated its capital markets funding activities into two legal entities: (i) Citigroup Inc., which issues long-term debt, trust preferred securities, and preferred and common stock, and (ii) Citigroup Funding Inc. (CFI), a newly formed first-tier subsidiary of Citigroup, which issues commercial paper and medium-term notes, all of which is guaranteed by Citigroup.

As part of the funding consolidation, Citigroup unconditionally guaranteed Citigroup Global Markets Holdings Inc.'s (CGMHI) outstanding SEC-registered indebtedness. CGMHI no longer files periodic reports with the SEC and continues to be rated on the basis of a guarantee of its financial obligations from Citigroup.

Due to unified access to the capital markets and a reduction in the number of the Company's credit-rated entities, this legal vehicle simplification has resulted in more efficient management of capital and liquidity. See "Capital Resources and Liquidity" on page 83 and Note 27 to the Consolidated Financial Statements on page 159 for further discussion.

Credit Reserves

During 2005, the Company recorded a net release/utilization of its credit reserves of \$227 million, consisting of a net release/utilization of \$459 million in Global Consumer and Global Wealth Management, and a net build of \$232 million in CIB.

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The net release/utilization in Global Consumer included a utilization in *EMEA* of \$663 million, related to write-offs of \$1.153 billion in loans, and a reserve build of \$260 million in the U.S. for the credit impact from Hurricane Katrina realized in the third quarter of 2005. The *EMEA* utilization and corresponding write-offs were the results of the standardization of the loan write-off policy in certain Western European consumer portfolios.

The net build of \$232 million in CIB was primarily composed of \$204 million in *Capital Markets and Banking*, which included a \$238 million reserve increase for unfunded lending commitments and letters of credit, and \$28 million in *Transaction Services*, which included a \$12 million increase for unfunded lending commitments and letters of credit.

During 2004, the Company recorded a net release/utilization of \$2,368 million to its credit reserves, consisting of a net release/utilization of \$1,266 million in Global Consumer and a net release/utilization of \$1,102 million in CIB.

Credit Reserve Builds (Releases)

	2005	2004
	<u> </u>	<u> </u>
	In millions of dollars	
By Product:		
<i>U.S. Cards</i>	\$ (170)	\$ (639)
<i>U.S. Retail Distribution</i>	302	(16)
<i>U.S. Consumer Lending</i>	(64)	(155)
<i>U.S. Commercial Business</i>	(39)	(316)
<i>International Cards</i>	72	(103)
<i>International Consumer Finance</i>	(9)	(24)
<i>International Retail Banking</i>	(588)	(12)
<i>Smith Barney</i>	12	
<i>Private Bank</i>	25	
<i>Consumer Other</i>		(1)
	<u> </u>	<u> </u>
Total Consumer	\$ (459)	\$ (1,266)
	<u> </u>	<u> </u>
<i>Capital Markets and Banking</i>	204	(921)
<i>Transaction Services</i>	28	(181)
Total CIB	\$ 232	\$ (1,102)
	<u> </u>	<u> </u>
Total Citigroup	\$ (227)	\$ (2,368)
	<u> </u>	<u> </u>
By Region:		
<i>U.S.</i>	\$ 33	\$ (1,586)
<i>Mexico</i>	242	(96)
<i>EMEA</i>	(433)	(16)
<i>Japan</i>	25	(39)
<i>Asia</i>	(35)	(165)
<i>Latin America</i>	(59)	(466)
	<u> </u>	<u> </u>
Total Citigroup	\$ (227)	\$ (2,368)
	<u> </u>	<u> </u>

Allowance for Credit Losses

	Dec. 31, 2005	Dec. 31, 2004
	<u> </u>	<u> </u>
	In millions of dollars at year end	
Allowance for loan losses	\$ 9,782	\$ 11,269
Allowance for unfunded lending commitments	850	600
	<u> </u>	<u> </u>
Total allowance for loans and unfunded lending commitments	\$ 10,632	\$ 11,869
	<u> </u>	<u> </u>

Repositioning Charges

The Company recorded a \$272 million after-tax (\$435 million pretax) charge during the 2005 first quarter for repositioning costs. The repositioning charges were predominantly severance-related costs recorded in CIB (\$151 million after-tax) and in Global Consumer (\$95 million

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after-tax). These repositioning actions are consistent with the Company's objectives of controlling expenses while continuing to invest in growth opportunities.

Resolution of Glendale Litigation

During the 2005 first quarter, the Company recorded a \$72 million after-tax gain (\$114 million pretax) following the resolution of *Glendale Federal Bank v. United States*, an action brought by Glendale Federal Bank, a predecessor to Citibank (West), FSB, against the United States government.

Acquisition of First American Bank

On March 31, 2005, Citigroup completed its acquisition of First American Bank in Texas (FAB). The transaction established Citigroup's retail branch presence in Texas, giving Citigroup 106 branches, \$4.2 billion in assets and approximately 120,000 new customers in the state at the time of transaction closing. The results of FAB are included in the Consolidated Financial Statements from March 2005 forward.

Divestiture of the Manufactured Housing Loan Portfolio

On May 1, 2005, Citigroup completed the sale of its manufactured housing loan portfolio, consisting of \$1.4 billion in loans, to 21st Mortgage Corp. The Company recognized a \$109 million after-tax loss (\$157 million pretax) in the 2005 first quarter related to the divestiture.

Divestiture of CitiCapital's Transportation Finance Business

On November 22, 2004, the Company reached an agreement to sell CitiCapital's Transportation Finance Business based in Dallas and Toronto to GE Commercial Finance for total cash consideration of approximately \$4.6 billion. The sale, which was completed on January 31, 2005, resulted in an after-tax gain of \$111 million (\$157 million pretax).

Shutdown of the Private Bank in Japan and Related Charge and Other Activities in Japan

On September 29, 2005, the Company officially closed its *Private Bank* business in Japan.

In September 2004, the Financial Services Agency of Japan (FSA) issued an administrative order against Citibank Japan. This order included a requirement that Citigroup exit all private banking operations in Japan by September 30, 2005. In connection with this required exit, the Company established a \$400 million (\$244 million after-tax) reserve (the Exit Plan Charge) during the 2004 fourth quarter. During 2005, the Company utilized \$220 million and released \$95 million of this reserve due to favorable foreign exchange translation and interest rate movements in the customers' investment accounts. The Company believes that the remaining reserve of \$50 million (adjusted by \$35 million for current foreign exchange translation rates) is adequate to cover any future settlements with ex-Private Bank Japan customers.

The Company's *Private Bank* operations in Japan had total revenues, net of interest expense, of \$200 million and net income of \$39 million (excluding the Exit Plan Charge) during the year ended December 31, 2004 and \$264 million and \$83 million, respectively, for 2003.

On October 25, 2004, Citigroup announced its decision to wind down Cititrust and Banking Corporation (Cititrust), a licensed trust bank in Japan, after concluding that there were internal control, compliance and governance issues in that subsidiary. On April 22, 2005, the FSA issued an administrative order requiring Cititrust to suspend from engaging in all new trust business in 2005. Cititrust closed all customer accounts in 2005, and the Company expects to be liquidated in 2006.

EVENTS IN 2004

Settlement of WorldCom Class Action Litigation and Charge for Regulatory and Legal Matters

As discussed on page 5, during the 2004 second quarter, Citigroup recorded a charge of \$4.95 billion after-tax (\$7.915 billion pretax) related to a settlement of class action litigation brought on behalf of purchasers of WorldCom securities and an increase in litigation reserves (WorldCom and Litigation Reserve Charge).

Sale of Samba Financial Group

On June 15, 2004, the Company sold, for cash, its 20% equity investment in The Samba Financial Group (Samba), formerly known as the Saudi American Bank, to the Public Investment Fund, a Saudi public sector entity. Citigroup recognized an after-tax gain of \$756 million (\$1.168 billion pretax) on the sale during the 2004 second quarter. The gain was recognized equally between Global Consumer and CIB.

Acquisition of KorAm Bank

On April 30, 2004, Citigroup completed its tender offer to purchase all of the outstanding shares of KorAm Bank (KorAm) at a price of KRW 15,500 per share in cash. In total, Citigroup has acquired 99.9% of KorAm's outstanding shares for a total of KRW 3.14 trillion (\$2.7 billion). The results of KorAm are included in the Consolidated Financial Statements from May 2004 forward.

At the time of the acquisition KorAm was a leading commercial bank in Korea, with 223 domestic branches and total assets at June 30, 2004 of \$37 billion. During the 2004 fourth quarter, KorAm was merged with the Citibank Korea branch to form Citibank Korea Inc.

Divestiture of Electronic Financial Services Inc.

During January 2004, the Company completed the sale for cash of Electronic Financial Services Inc. (EFS) for \$390 million. EFS is a provider of government-issued benefit payments and prepaid stored-value cards used by state and federal government agencies, as well as of stored-value services for private institutions. The sale of EFS resulted in an after-tax gain of \$180 million (\$255 million pretax) in the 2004 first quarter.

Acquisition of Washington Mutual Finance Corporation

On January 9, 2004, Citigroup completed the acquisition of Washington Mutual Finance Corporation (WMF) for \$1.25 billion in cash. WMF was the consumer finance subsidiary of Washington Mutual, Inc. WMF provides direct consumer installment loans and real-estate-secured loans, as well as sales finance and the sale of insurance. The acquisition included 427 WMF offices located in 26 states, primarily in the Southeastern and Southwestern United States, and total assets of \$3.8 billion. Citigroup has guaranteed all outstanding unsecured indebtedness of WMF in connection with this acquisition. The results of WMF are included in the Consolidated Financial Statements from January 2004 forward.

EVENTS IN 2003

Acquisition of Sears' Credit Card and Financial Products Business

On November 3, 2003, Citigroup acquired the Sears' Credit Card and Financial Products business (Sears), the eighth largest credit card portfolio in the U.S. \$28.6 billion of gross receivables were acquired for a 10% premium of \$2.9 billion and annual performance payments over the next ten years based on new accounts, retail sales volume and financial product sales. The Company recorded \$5.8 billion of intangible assets and goodwill as a result of this transaction. In addition, the companies signed a multi-year marketing and servicing agreement across a range of each company's businesses, products and services. The results of Sears are included in the Consolidated Financial Statements from November 2003 forward.

Acquisition of The Home Depot's Private-Label Portfolio

In July 2003, Citigroup completed the acquisition of The Home Depot private-label portfolio (Home Depot), which added \$6 billion in receivables and 12 million accounts. The results of Home Depot are included in the Consolidated Financial Statements from July 2003 forward.

Settlement of Certain Legal and Regulatory Matters

On July 28, 2003, Citigroup entered into financial settlement agreements with the Securities and Exchange Commission (SEC), the Office of the Comptroller of the Currency (OCC), the Federal Reserve Bank of New York (FED), and the Manhattan District Attorney's Office that resolved on a civil basis their investigations into Citigroup's structured finance work for Enron. The Company also announced that its settlement agreement with the SEC concluded that agency's investigation into certain Citigroup work for Dynegy. The agreements were reached by Citigroup (and, in the case of the agreement with the OCC, Citibank, N.A.) without admitting or denying any wrongdoing or liability, and the agreements do not establish wrongdoing or liability for the purpose of civil litigation or any other proceeding. Citigroup paid from previously established reserves an aggregate amount of \$145.5 million in connection with these settlements.

SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

The Notes to the Consolidated Financial Statements on page 108, contain a summary of the Company's significant accounting policies, including a discussion of recently issued accounting pronouncements. These policies, as well as estimates made by management, are integral to the presentation of the Company's financial condition. It is important to note that they require management to make difficult, complex or subjective judgments and estimates, at times, regarding matters that are inherently uncertain. Management has discussed each of these significant accounting policies, the related estimates and its judgments with the Audit and Risk Management Committee of the Board of Directors. Additional information about these policies can be found in Note 1 to the Consolidated Financial Statements on page 108.

Certain statements below are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 95.

Valuations of Financial Instruments

The Company holds fixed income and equity securities, derivatives, investments in private equity and other financial instruments. The Company holds its investments and trading assets and liabilities on the balance sheet to meet customer needs, to manage liquidity needs and interest rate risks, and for proprietary trading and private equity investing.

Substantially all of these assets and liabilities are reflected at fair value on the Company's balance sheet. Fair values are determined in the following ways:

Externally verified via comparison to quoted market prices or third-party broker quotations;

By using models that are validated by qualified personnel independent of the area that created the model and inputs that are verified by comparison to third-party broker quotations or other third-party sources; or

By using alternative procedures such as comparison to comparable securities and/or subsequent liquidation prices.

At December 31, 2005 and 2004, respectively, approximately 94.5% and 96.2% of the available-for-sale and trading portfolios' gross assets and liabilities (prior to netting positions pursuant to FIN 39) are considered verified and approximately 5.5% and 3.8% are considered unverified. Of the unverified assets, at December 31, 2005 and 2004, respectively, approximately 60.6% and 66.4% consist of cash products, where independent quotes were not available and/or alternative procedures were not feasible, and 39.4% and 33.6% consist of derivative products where either the model was not validated and/or the inputs were not verified due to the lack of appropriate market quotations. Such values are actively reviewed by management.

Changes in the valuation of the trading assets and liabilities flow through the income statement. Changes in the valuation of available-for-sale assets generally flow through other comprehensive income, which is a component of equity on the balance sheet. A full description of the Company's related policies and procedures can be found in Notes 1, 5 and 8 to the Consolidated Financial Statements on pages 108, 121, and 125, respectively.

Allowance for Credit Losses

Management provides reserves for an estimate of probable losses inherent in the funded loan portfolio on the balance sheet in the form of an allowance for credit losses. In addition, management has established and maintained reserves for the potential losses related to the Company's off-balance sheet exposures of unfunded lending commitments, including standby letters of credit and guarantees. These reserves are established in accordance with Citigroup's Loan Loss Reserve Policies, as approved by the Company's Board of Directors. Under these policies, the Company's Senior Risk Officer and Chief Financial Officer review the adequacy of the credit loss reserves each quarter with representatives from Risk Management and Financial Control for each applicable business area.

During these reviews, these above-mentioned representatives covering the business area having classifiably-managed portfolios (that is, portfolios where internal credit-risk ratings are assigned, which are primarily Corporate and Investment Banking, Global Consumer's commercial lending businesses, and Global Wealth Management) present recommended reserve balances for their funded and unfunded lending portfolios along with supporting quantitative and qualitative data. The quantitative data includes:

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Estimated probable losses for non-performing, non-homogenous exposures within a business line's classifiably-managed portfolio. Consideration is given to all available evidence when determining this estimate including, as appropriate: (i) the present value of expected future cash flows discounted at the loan's contractual effective rate; (ii) the borrower's overall financial condition, resources and payment record; and (iii) the prospects for support from financially responsible guarantors or the realizable value of any collateral.

Statistically calculated losses inherent in the classifiably-managed portfolio for performing and de minimis nonperforming exposures. The calculation is based upon: (i) Citigroup's internal system of credit risk ratings, which are analogous to the risk ratings of the major rating agencies; (ii) the Corporate portfolio database; and (iii) historical default and loss data, including rating agency information regarding default rates from 1983 to 2004, and internal data, dating to the early 1970s, on severity of losses in the event of default.

Additional adjustments include: (i) statistically calculated estimates to cover the historical fluctuation of the default rates over the credit cycle the historical variability of loss severity among defaulted loans, and the degree to which there are large obligor concentrations in the global portfolio and (ii) adjustments made for specifically known items, such as current environmental factors and credit trends.

In addition, representatives from Risk Management and Financial Control that cover business areas which have delinquency-managed portfolios containing smaller homogeneous loans (primarily Global Consumer's non-commercial lending areas) present their recommended reserve

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balances based upon historical delinquency flow rates, charge-off statistics and loss severity. This methodology is applied separately for each individual product within each different geographic region in which these portfolios exist. Adjustments are also made for specifically known items, such as changing regulations, current environmental factors and credit trends.

This evaluation process is subject to numerous estimates and judgments. The frequency of default, risk ratings, loss recovery rates, the size and diversity of individual large credits, and the ability of borrowers with foreign currency obligations to obtain the foreign currency necessary for orderly debt servicing, among other things, are all taken into account during this review. Changes in these estimates could have a direct impact on the credit costs in any quarter and could result in a change in the allowance. Changes to the reserve flow through the income statement on the lines "provision for loan losses" and "provision for unfunded lending commitments." For a further description of the loan loss reserve and related accounts, see Notes 1 and 12 to the Consolidated Financial Statements on pages 108 and 128, respectively.

Securitizations

The Company securitizes a number of different asset classes as a means of strengthening its balance sheet and to access competitive financing rates in the market. Under these securitization programs, assets are sold into a trust and used as collateral by the trust to access financing. The cash flows from assets in the trust service the corresponding trust securities. If the structure of the trust meets stringent accounting guidelines, trust assets are treated as sold and no longer reflected as assets of the Company. If these guidelines are not met, the assets continue to be recorded as the Company's assets, with the financing activity recorded as liabilities on Citigroup's balance sheet. The Financial Accounting Standards Board (FASB) is currently working on amendments to the accounting standards governing asset transfers, securitization accounting, and fair value of financial instruments. Upon completion of these standards the Company will need to re-evaluate its accounting and disclosures. Due to the FASB's ongoing deliberations, the Company is unable to accurately determine the effect of future amendments at this time.

The Company assists its clients in securitizing their financial assets and also packages and securitizes financial assets purchased in the financial markets. The Company may also provide administrative, asset management, underwriting, liquidity facilities and/or other services to the resulting securitization entities, and may continue to service these financial assets.

A complete description of the Company's accounting for securitized assets can be found in "Off-Balance Sheet Arrangements" on page 89 and in Notes 1 and 13 to the Consolidated Financial Statements on pages 108 and 128, respectively.

Income Taxes

The Company is subject to the income tax laws of the U.S., its states and municipalities and those of the foreign jurisdictions in which the Company operates. These tax laws are complex and subject to different interpretations by the taxpayer and the relevant governmental taxing authorities. In establishing a provision for income tax expense, the Company must make judgments and interpretations about the application of these inherently complex tax laws. The Company must also make estimates about when in the future certain items will affect taxable income in the various tax jurisdictions, both domestic and foreign.

Disputes over interpretations of the tax laws may be subject to review/adjudication by the court systems of the various tax jurisdictions or may be settled with the taxing authority upon examination or audit.

The Company reviews these balances quarterly and as new information becomes available, the balances are adjusted, as appropriate.

SFAS No. 109, "Accounting for Income Taxes" (SFAS 109), requires companies to make adjustments to their financial statements in the quarter that new tax legislation is enacted. In the 2004 fourth quarter, the U.S. Congress passed and the President signed into law a new tax bill, "The American Jobs Creation Act of 2004." The Homeland Investment Act (HIA) provision of the American Jobs Creation Act of 2004 is intended to provide companies with a one-time 85% reduction in the U.S. net tax liability on cash dividends paid by foreign subsidiaries in 2005, to the extent that they exceed a baseline level of dividends paid in prior years. In accordance with FASB Staff Position FAS No. 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004" (FSP FAS 109-2), the Company did not recognize any income tax effects of the repatriation provisions of the Act in its 2004 financial statements. In 2005, the Company's results from continuing operations included a \$198 million tax benefit from the HIA provision of the Act, net of the impact of remitting income earned in 2005 and prior years that would otherwise have been indefinitely invested overseas.

See Note 16 to the Consolidated Financial Statements on page 139 for a further description of the Company's provision and related income tax assets and liabilities.

Legal Reserves

The Company is subject to legal, regulatory and other proceedings and claims arising from conduct in the ordinary course of business. These proceedings include actions brought against the Company in its various roles, including acting as a lender, underwriter, broker/dealer or investment advisor. Reserves are established for legal and regulatory claims based upon the probability and estimability of losses and to fairly present, in conjunction with the disclosures of these matters in the Company's financial statements and SEC filings, management's view of the Company's exposure. The Company reviews outstanding claims with internal as well as external counsel to assess probability and estimates of loss. The risk of loss is reassessed as new information becomes available and reserves are adjusted, as appropriate. The actual cost of resolving a claim may be substantially higher, or lower, than the amount of the recorded reserve. See Note 26 to the Consolidated Financial Statements on page 158 and the discussion of "Legal Proceedings" beginning on page 175.

Accounting Changes and Future Application of Accounting Standards

See Note 1 to the Consolidated Financial Statements on page 108 for a discussion of Accounting Changes and the Future Application of Accounting Standards.

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SEGMENT, PRODUCT AND REGIONAL NET INCOME

The following tables show the net income (loss) for Citigroup's businesses both on a product view and on a regional view:

Citigroup Net Income Product View

	2005	2004(1)	2003(1)	% Change 2005 vs. 2004	% Change 2004 vs. 2003
	In millions of dollars				
Global Consumer					
U.S. Cards	\$ 2,754	\$ 3,562	\$ 2,854	(23)%	25%
U.S. Retail Distribution	1,752	2,019	1,707	(13)	18
U.S. Consumer Lending	1,938	1,664	1,636	16	2
U.S. Commercial Business	729	765	525	(5)	46
Total U.S. Consumer(2)	\$ 7,173	\$ 8,010	\$ 6,722	(10)%	19%
International Cards	\$ 1,373	\$ 1,137	\$ 725	21%	57%
International Consumer Finance	642	586	579	10	1
International Retail Banking	2,083	2,157	1,752	(3)	23
Total International Consumer	\$ 4,098	\$ 3,880	\$ 3,056	6%	27%
Other(3)	\$ (374)	\$ 97	\$ (113)	NM	NM
Total Global Consumer	\$ 10,897	\$ 11,987	\$ 9,665	(9)%	24%
Corporate and Investment Banking					
Capital Markets and Banking	\$ 5,327	\$ 5,395	\$ 4,642	(1)%	16%
Transaction Services	1,135	1,045	748	9	40
Other(4)(5)	433	(4,398)	(16)	NM	NM
Total Corporate and Investment Banking	\$ 6,895	\$ 2,042	\$ 5,374	NM	(62)%
Global Wealth Management					
Smith Barney	\$ 871	\$ 891	\$ 795	(2)%	12%
Private Bank(6)	373	318	551	17	(42)
Total Global Wealth Management	\$ 1,244	\$ 1,209	\$ 1,346	3%	(10)%
Alternative Investments	\$ 1,437	\$ 768	\$ 402	87%	91%
Corporate/Other	(667)	48	271	NM	(82)
Income from Continuing Operations	\$ 19,806	\$ 16,054	\$ 17,058	23%	(6)%
Income from Discontinued Operations(7)	4,832	992	795	NM	25
Cumulative Effect of Accounting Change(8)	(49)				

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	2005	2004(1)	2003(1)	% Change 2005 vs. 2004	% Change 2004 vs. 2003
Total Net Income	\$ 24,589	\$ 17,046	\$ 17,853	44%	(5)%

- (1) Reclassified to conform to the current period's presentation. See Note 4 to the Consolidated Financial Statements on page 121 for assets by segment.
- (2) U.S. disclosure includes Canada and Puerto Rico.
- (3) 2004 includes a \$378 million after-tax gain related to the sale of Samba.
- (4) 2005 includes a \$375 million after-tax release of the WorldCom Settlement and Litigation Reserve Charge.
- (5) 2004 includes a \$378 million after-tax gain related to the sale of Samba and a \$4.95 billion after-tax charge related to the WorldCom and Litigation Reserve Charge.
- (6) 2004 includes a \$244 million after-tax charge related to the exit plan implementation for the Company's *Private Bank* operations in *Japan*.
- (7) See Note 3 to the Consolidated Financial Statements on page 119.
- (8) Accounting change in 2005 of (\$49) million represents the adoption of FIN 47. See Note 1 to the Consolidated Financial Statements on page 108.
- NM Not meaningful

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Citigroup Net Income Regional View

	2005	2004(1)	2003(1)	% Change 2005 vs. 2004	% Change 2004 vs. 2003
In millions of dollars					
U.S.(2)					
Global Consumer	\$ 6,799	\$ 7,729	\$ 6,609	(12)%	17%
Corporate and Investment Banking(3)(4)	2,950	(2,190)	2,540	NM	NM
Global Wealth Management	1,141	1,179	1,076	(3)	10
Total U.S.	\$ 10,890	\$ 6,718	\$ 10,225	62%	(34)%
Mexico					
Global Consumer	\$ 1,432	\$ 978	\$ 785	46%	25%
Corporate and Investment Banking	450	659	407	(32)	62
Global Wealth Management	44	52	41	(15)	27
Total Mexico	\$ 1,926	\$ 1,689	\$ 1,233	14%	37%
Latin America					
Global Consumer	\$ 236	\$ 296	\$ 197	(20)%	50%
Corporate and Investment Banking	619	813	566	(24)	44
Global Wealth Management	17	43	44	(60)	(2)
Total Latin America	\$ 872	\$ 1,152	\$ 807	(24)%	43%
EMEA					
Global Consumer(5)	\$ 374	\$ 1,180	\$ 680	(68)%	74%
Corporate and Investment Banking(5)	1,130	1,136	924	(1)	23
Global Wealth Management	8	15	(16)	(47)	NM
Total EMEA	\$ 1,512	\$ 2,331	\$ 1,588	(35)%	47%
Japan					
Global Consumer	\$ 706	\$ 616	\$ 583	15%	6%
Corporate and Investment Banking	498	334	162	49	NM
Global Wealth Management(6)	(82)	(205)	83	60	NM
Total Japan	\$ 1,122	\$ 745	\$ 828	51%	(10)%
Asia					
Global Consumer	\$ 1,350	\$ 1,188	\$ 811	14%	46%
Corporate and Investment Banking	1,248	1,290	775	(3)	66
Global Wealth Management	116	125	118	(7)	6
Total Asia	\$ 2,714	\$ 2,603	\$ 1,704	4%	53%
Alternative Investments	\$ 1,437	\$ 768	\$ 402	87%	91%
Corporate/Other	(667)	48	271	NM	(82)
Income from Continuing Operations	\$ 19,806	\$ 16,054	\$ 17,058	23%	(6)%

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	2005	2004(1)	2003(1)	% Change 2005 vs. 2004	% Change 2004 vs. 2003
Income from Discontinued Operations(7)	4,832	992	795	NM	25
Cumulative Effect of Accounting Change(8)	(49)				
Total Net Income	\$ 24,589	\$ 17,046	\$ 17,853	44%	(5)%

- (1) Reclassified to conform to the current period's presentation.
- (2) Excludes Alternative Investments and Corporate/Other which are predominantly related to the *U.S.* The *U.S.* regional disclosure includes Canada and Puerto Rico. Global Consumer for the *U.S.* includes Other Consumer (except for Samba gain which is allocated to *EMEA*).
- (3) 2005 includes a \$375 million after-tax release of the WorldCom Settlement and Litigation Reserve Charge.
- (4) 2004 includes a \$4.95 billion after-tax charge related to the WorldCom and Litigation Reserve Charge.
- (5) 2004 includes a \$756 million after-tax gain (\$378 million in Consumer and \$378 million in Corporate and Investment Banking) related to the sale of Samba.
- (6) 2004 includes a \$244 million after-tax charge related to the exit plan implementation for the Company's *Private Bank* operations in *Japan*.
- (7) See Note 3 to the Consolidated Financial Statements on page 119.
- (8) See Note 1 to the Consolidated Financial Statements on page 108.
- NM Not meaningful.

SELECTED REVENUE AND EXPENSE ITEMS

Revenues

Net interest revenue was \$39.3 billion in 2005, down \$2.3 billion, or 6%, from 2004. This, in turn, was up \$4.3 billion, or 12%, from 2003. Increases in business volumes during 2005 were more than offset by spread compression, as the Company's cost of funding increased more significantly than the rates on interest-bearing assets. Rates on the Company's interest-earning assets were impacted during the year by competitive pricing (particularly in *U.S. Cards* and *Capital Markets and Banking*), as well as business mix shifts.

Total commissions, asset management and administration fees, and other fee revenues of \$23.3 billion were up \$1.8 billion, or 8%, in 2005. The 2004 amount of \$21.5 billion was up \$1.3 billion, or 6%, from 2003. The 2005 increase primarily reflected improved global equity markets, higher transactional volume and continued strong investment banking results. Insurance premiums of \$3.1 billion in 2005 were up \$406 million, or 15%, from 2004 and up \$271 million, or 11%, in 2004 compared to 2003. The 2005 increase primarily represents higher business volumes.

Principal transactions revenues of \$6.4 billion increased \$2.7 billion, or 73%, from 2004, primarily reflecting record revenues in the fixed income and equity markets. Principal transactions revenue in 2004 decreased \$1.2 billion, or 24%, from 2003, primarily reflecting decreased fixed income markets revenues related to interest rate fluctuations, positioning and lower volatility.

Realized gains from sales of investments of \$2.0 billion in 2005 were up \$1.1 billion from 2004, which was up \$304 million from 2003. The increase from 2004 is primarily attributable to the gain of \$386 million (pretax) on the sale of Nikko Cordial stock and sales of St. Paul Travelers shares over the course of the year.

Other revenue of \$9.5 billion in 2005 increased \$322 million from 2004, which was up \$3.0 billion from 2003. The increase from 2004 is related to securitization and hedging gains and activity. The increase from 2003 primarily reflected the \$1.2 billion gain on the sale of Samba, increased securitization gains and improved investment results.

Operating Expenses

Operating expenses decreased \$4.6 billion, or 9%, to \$45.2 billion in 2005, and increased \$12.3 billion, or 33%, from 2003 to 2004. The expense fluctuations were primarily related to the reserve charges taken in 2004 (a \$7.9 billion pretax reserve for the WorldCom and Litigation Reserve Charge and a \$400 million Private Bank Japan Exit Plan Charge). Expenses in 2005 reflect a \$600 million release from the WorldCom and Litigation Reserve Charge. Partially offsetting the absence of these items was increased expenses related to higher incentive compensation (driven by increased revenue), and higher pension and insurance expenses.

Provisions for Credit Losses and for Benefits and Claims

Total provisions for credit losses and for benefits and claims were \$9.0 billion, \$7.1 billion and \$8.9 billion in 2005, 2004 and 2003, respectively. Policyholder benefits and claims in 2005 decreased \$17 million, or 2%, from 2004. The provision for credit losses increased \$1.9 billion, or 31%, from 2004 to \$8.2 billion in 2005.

Global Consumer provisions for loan losses and for policyholder benefits and claims of \$9.1 billion in 2005 were up \$966 million, or 12% from 2004, reflecting increases in *International Retail Banking*, *U.S. Retail Distribution*, *International Cards*, and *U.S. Commercial Business*, partially offset by decreases in *U.S. Cards*, *International Consumer Finance* and *U.S. Consumer Lending*. Net credit losses were \$8.683 billion, and the related loss ratio was 2.01% in 2005, as compared to \$8.471 billion and 2.13% in 2004 and \$7.555 billion and 2.22% in 2003.

The CIB provision for credit losses in 2005 increased \$933 million from 2004, which decreased \$1.7 billion from 2003. The increase in the 2005 balance is primarily due to an increase in expected losses resulting from an increase in off-balance sheet exposure and related credit quality. Corporate cash-basis loans at December 31, 2005, 2004 and 2003 were \$1.004 billion, \$1.906 billion and \$3.419 billion, respectively.

Income Taxes

The Company's effective tax rate on continuing operations of 30.8% in 2005 increased from 28.4% in 2004. The 2005 tax provision on continuing operations included a \$198 million benefit from the Homeland Investment Act provision of the American Jobs Creation Act of 2004, net of the impact of remitting income earned in 2005 and prior years that would otherwise have been indefinitely invested overseas, and a \$65 million release due to the resolution of an audit. The 2004 tax provision on continuing operations included a \$234 million benefit for the release of a valuation allowance relating to the utilization of foreign tax credits and the releases of \$150 million and \$147 million due to the closing of tax audits. The 2005 effective tax rate also increased from 2004 because of the impact of indefinitely invested international earnings and other items on the lower level of pretax earnings in 2004 due to the impact of the WorldCom and Litigation Reserve Charge. The Company's

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effective tax rate on continuing operations was 31.1% in 2003. See additional discussion on page 14 and in Note 16 to the Consolidated Financial Statements on page 139.

The net income line in the following business segment and operating unit discussions excludes the cumulative effect of accounting change and income from discontinued operations. The cumulative effect of accounting change and income from discontinued operations are disclosed within the Corporate/Other business segment. See Notes 1 and 3 to the Consolidated Financial Statements on pages 108 and 119, respectively. Certain amounts in prior years have been reclassified to conform to the current year's presentation.

GLOBAL CONSUMER

Global Consumer
Net Income
In billions of dollars

Global Consumer
2005 Net Income by Product*

Global Consumer
2005 Net Income by Region*

*Excludes Other Consumer loss of \$374 million.

*Excludes Other Consumer loss of \$374 million.

Citigroup's Global Consumer Group provides a wide array of banking, lending, insurance and investment services through a network of 7,237 branches, 6,920 ATMs, 682 Automated Lending Machines (ALMs), the Internet, telephone and mail, and the Primerica Financial Services salesforce. Global Consumer serves more than 200 million customer accounts, providing products and services to meet the financial needs of both individuals and small businesses.

	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
In millions of dollars					
Revenues, net of interest expense	\$ 48,245	\$ 47,887	\$ 41,501	1%	15%
Operating expenses	23,318	22,151	19,051	5	16
Provisions for loan losses and for benefits and claims	9,063	8,097	8,182	12	(1)
Income before taxes and minority interest	\$ 15,864	\$ 17,639	\$ 14,268	(10)%	24%
Income taxes	4,904	5,592	4,551	(12)	23
Minority interest, net of taxes	63	60	52	5	15
Net income	\$ 10,897	\$ 11,987	\$ 9,665	(9)%	24%
Average assets (<i>in billions of dollars</i>)	\$ 533	\$ 487	\$ 422	10%	15%
Return on assets	2.04%	2.46%	2.29%		
Average risk capital(1)	\$ 26,857	\$ 22,816	\$ 21,066	18%	8%
Return on risk capital(1)	41%	53%	46%		
Return on invested capital(1)	18%	22%			

(1)

See footnote 5 to the table on page 3.

U.S. CONSUMER

U.S. Consumer
Net Income
In billions of dollars

U.S. Consumer
2005 Net Income by Product

U.S. Consumer
Average Loans
In billions of dollars

U.S. Consumer is composed of four businesses: *Cards, Retail Distribution, Consumer Lending* and *Commercial Business*.

	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
In millions of dollars					
Revenues, net of interest expense	\$ 30,107	\$ 30,907	\$ 27,287	(3)%	13%
Operating expenses	13,449	13,214	11,158	2	18
Provisions for loan losses and for benefits and claims	5,600	5,444	5,628	3	(3)
Income before taxes and minority interest	\$ 11,058	\$ 12,249	\$ 10,501	(10)%	17%
Income taxes	3,823	4,181	3,730	(9)	12
Minority interest, net of taxes	62	58	49	7	18
Net income	\$ 7,173	\$ 8,010	\$ 6,722	(10)%	19%
Average assets (<i>in billions of dollars</i>)	\$ 357	\$ 327	\$ 281	9%	16%
Return on assets	2.01%	2.45%	2.39%		
Average risk capital(1)	\$ 13,843	\$ 11,507	\$ 9,818	20%	17%
Return on risk capital(1)	52%	70%	68%		
Return on invested capital(1)	21%	25%			

(1) See footnote 5 to the table on page 3.

U.S. Cards

U.S. Cards Net Income <i>In billions of dollars</i>	U.S. Cards Average Managed Loans <i>In billions of dollars</i>	U.S. Cards Managed Net Credit Losses <i>In millions of dollars</i>
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U.S. Cards is the largest provider of credit cards in North America, with more than 130 million customer accounts in the United States, Canada and Puerto Rico. In addition to MasterCard (including Diners), Visa, and American Express, U.S. Cards is the largest provider of credit card services to the oil and gas industry and the leading provider of consumer private-label credit cards and commercial accounts on behalf of merchants such as The Home Depot, Sears, Federated, Dell Computer, Radio Shack, Staples and Zale Corporation.

Revenues are primarily generated from net interest revenue on receivables, interchange fees on purchase sales and other delinquency or services fees.

	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
<i>In millions of dollars</i>					
Revenues, net of interest expense	\$ 12,824	\$ 14,207	\$ 11,380	(10)%	25%
Operating expenses	6,002	5,920	4,520	1	31
Provision for loan losses	2,567	2,887	2,400	(11)	20
Income before taxes and minority interest	\$ 4,255	\$ 5,400	\$ 4,460	(21)%	21%
Income taxes and minority interest, net of taxes	1,501	1,838	1,606	(18)	14
Net income	\$ 2,754	\$ 3,562	\$ 2,854	(23)%	25%
Average assets (in billions of dollars)	\$ 66	\$ 74	\$ 52	(11)%	42%
Return on assets	4.17%	4.81%	5.49%		
Average risk capital(1)	\$ 5,774	\$ 4,125	\$ 3,295	40%	25%
Return on risk capital(1)	48%	86%	87%		
Return on invested capital(1)	20%	28%			
Key indicators on a managed basis: (in billions of dollars)					
Return on managed assets	1.90%	2.41%	2.33%		
Purchase sales	\$ 278.2	\$ 257.0	\$ 236.9	8%	8%
Managed average yield(2)	13.75%	13.53%	12.17%		
Managed net interest margin(2)	10.85%	11.76%	10.91%		

(1) See footnote 5 to the table on page 3.

(2) As a percentage of average managed loans.

2005 vs. 2004

Revenues, net of interest expense, declined as the positive impact of 8% growth in purchase sales and the addition of the Federated portfolio in the 2005 fourth quarter was more than offset by a \$545 million charge to conform accounting practices for customer rewards, net interest margin compression, lower fee revenues due to the impact of increased bankruptcy filings due to a change in law that became effective on October 17, 2005, and the impact of Hurricane Katrina. Net interest margin contracted as pricing actions in floating rate products were offset by higher cost of funds; higher payment rates resulting from the overall improved economy and a customer shift to real-estate-secured lending, which led to lower loan balances; an increased proportion of transactional activity; and a mix shift in the private label business to lower rate products.

Operating expenses remained essentially unchanged, primarily reflecting the addition of the Federated portfolio and repositioning expenses of \$19 million taken in the 2005 first quarter. This was partially offset by a decline in advertising and marketing expenses, largely reflecting the timing of advertising campaigns, as the Company invested significant resources in 2004 in the "Live Richly" and "Identity Theft" media campaigns.

Provision for loan losses declined, due to a \$789 million, or 22%, decline in net credit losses, due to the positive credit environment and improvements in the Sears portfolio, partially offset by lower credit reserve releases in 2005 of \$170 million, versus \$639 million in 2004.

2004 vs. 2003

Revenues, net of interest expense, increased due to the impact of the Sears and Home Depot acquisitions, higher net interest revenue, and the benefit of increased purchase sales. The positive revenue drivers were partially offset by higher payment rates resulting from the overall improved economy.

Operating expenses increased, due primarily to the full-year impact of the Home Depot and Sears acquisitions and increased advertising and marketing expenses, including the "Live Richly" and "Identity Theft" media campaigns.

Provision for loan losses increased primarily due to the full-year impact of acquisitions and increased presence in the private label market. This was partially offset by the significantly improved credit environment, which led to loan loss reserve releases of \$639 million during 2004.

U.S. Retail Distribution

U.S. Retail Distribution
Net Income
In billions of dollars

U.S. Retail Distribution
2005 Net Income by
Distribution Channel

U.S. Retail Distribution
Branches
At December 31

U.S. Retail Distribution provides banking, lending, investment and insurance products and services to customers through 896 Citibank branches, 2,277 CitiFinancial branches, the Primerica Financial Services (PFS) salesforce, the Internet, direct mail and telesales. Revenues are primarily derived from net interest revenue on loans and deposits, and fees on banking, insurance and investment products.

	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
	In millions of dollars				
Revenues, net of interest expense, by business:					
Citibank branches	\$ 3,103	\$ 3,065	\$ 2,959	1%	4%
CitiFinancial branches	4,190	4,139	3,534	1	17
Primerica Financial Services	2,222	2,141	2,088	4	3
Revenues, net of interest expense	\$ 9,515	\$ 9,345	\$ 8,581	2%	9%
Operating expenses	4,407	4,358	4,045	1	8
Provisions for loan losses and for benefits and claims	2,410	2,017	1,908	19	6
Income before taxes and minority interest	\$ 2,698	\$ 2,970	\$ 2,628	(9)%	13%
Income taxes	946	951	919	(1)	3
Minority interest, net of taxes			2		(100)
Net income	\$ 1,752	\$ 2,019	\$ 1,707	(13)%	18%
Net income by business:					
Citibank branches	\$ 506	\$ 515	\$ 486	(2)%	6%
CitiFinancial branches	696	960	675	(28)	42
Primerica Financial Services	550	544	546	1	
Net income	\$ 1,752	\$ 2,019	\$ 1,707	(13)%	18%
Average assets (in billions of dollars)	\$ 64	\$ 60	\$ 53	7%	13%
Return on assets	2.74%	3.37%	3.22%		
Average risk capital(1)	\$ 2,977	\$ 2,717	\$ 2,286	10	19
Return on risk capital(1)	59%	74%	75%		
Return on invested capital(1)	16%	20%			

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	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
Key indicators: (in billions of dollars)					
Average loans	\$ 40.4	\$ 37.8	\$ 32.7	7%	16%
Average deposits	119.8	115.6	112.7	4	3
EOP Investment AUMs	72.6	68.5	62.0	6	10

(1) See footnote 5 to the table on page 3.

2005 vs. 2004

Revenues, net of interest expense, increased primarily due to loan and deposit growth, increased investment product sales, and the impact of the FAB acquisition, which were partially offset by a decrease in net interest margin. Net interest margin declined as increased short-term funding rates more than offset an increase in asset yields. Revenues also included a \$110 million gain relating to the resolution of the Glendale litigation in the 2005 first quarter and a \$20 million charge in the 2005 fourth quarter to conform accounting practices for customer rewards.

Operating expense growth was primarily due to higher volume-related expenses, increased investment spending driven by branch expansion, and the impact of the FAB acquisition.

Provision for loan losses and for benefits and claims increased due to an increase in bankruptcy filings from a change in law that became effective on October 17, 2005. This led to an approximately \$93 million increase in net credit losses and a \$42 million increase in loan loss reserves. In addition, the Company increased loan loss reserves by \$110 million for the impact of Hurricane Katrina. Also, the reorganization of the former *Consumer Finance* business into components of the current *U.S. Retail Distribution* and *U.S. Consumer Lending* businesses, resulted in a reallocation of loan loss reserves between *U.S. Retail Distribution* and *U.S. Consumer Lending*. CitiFinancial Branches increased loan loss reserves by \$165 million, reflecting an increase in reserves for bankruptcy coverage in Personal Loans, while Real Estate Lending and Auto (both now in *U.S. Consumer Lending*) had corresponding loan loss reserve releases of \$76 million and \$89 million, respectively. Excluding the impact of increased bankruptcy filings and Hurricane Katrina, overall credit conditions remained favorable in 2005.

Deposit growth reflected an increase in demand balances and rate-sensitive money market balances, as well as the impact of the FAB acquisition. *Loan* growth reflected improvements in all channels and products from home equity and personal loans to increased volumes in the PFS channel. *Investment product sales* increased 9% driven by increased volumes.

2004 vs. 2003

Revenues, net of interest expense, increased primarily due to strong loan and deposit growth in the Citibank and CitiFinancial Branches businesses, increased life insurance and investment fee revenues in Primerica Financial Services, and the impact of the WMF acquisition. This was partially offset by lower net funding spreads in the Citibank Branches business and lower loan volumes and higher capital funding costs in Primerica Financial Services.

Operating expense growth was primarily due to higher volume-related expenses, increased investment spending driven by branch expansion, and the impact of the WMF acquisition.

Provision for credit loan losses and for benefits and claims increased due to increased net credit losses in the CitiFinancial Branches business, primarily tied to increased volumes and the impact of the WMF acquisition, and lower loan loss reserve releases. Overall credit conditions remained favorable in 2004.

Deposit growth reflected an increase in higher-margin demand deposits and money market accounts, which was only partially offset by a decline in time deposits. *Loan* growth was primarily attributable to the impact of the WMF acquisition.

U.S. Consumer Lending

U.S. Consumer Lending
Net Income
In billions of dollars

U.S. Consumer Lending
2005 Net Income by Product

U.S. Consumer Lending
Average Loans
In billions of dollars

U.S. Consumer Lending provides home mortgages and home equity loans to prime and non-prime customers, auto financing to non-prime consumers and educational loans to students. Loans are originated throughout the United States and Canada through the Citibank, CitiFinancial and *Smith Barney* branch networks, Primerica Financial Services agents, third-party brokers, direct mail, the Internet and telesales. Loans are also purchased in the wholesale markets. *U.S. Consumer Lending* also provides mortgage servicing to a portfolio of mortgage loans owned by third parties. Revenues are composed of loan fees, net interest revenue and mortgage servicing fees.

	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
In millions of dollars					
Revenues, net of interest expense, by business:					
Real Estate Lending	\$ 3,558	\$ 3,196	\$ 3,594	11%	(11)%
Student Loans	652	612	487	7	26
Auto	1,259	1,253	1,217		3
Revenues, net of interest expense	\$ 5,469	\$ 5,061	\$ 5,298	8%	(4)%
Operating expenses	1,700	1,629	1,651	4	(1)
Provisions for loan losses and for benefits and claims	614	658	944	(7)	(30)
Income before taxes and minority interest	\$ 3,155	\$ 2,774	\$ 2,703	14%	3%
Income taxes	1,155	1,052	1,022	10	3
Minority interest, net of taxes	62	58	45	7	29
Net income	\$ 1,938	\$ 1,664	\$ 1,636	16%	2%
Net income by business:					
Real Estate Lending	\$ 1,378	\$ 1,180	\$ 1,268	17%	(7)%
Student Loans	234	227	179	3	27
Auto	326	257	189	27	36
Net income	\$ 1,938	\$ 1,664	\$ 1,636	16%	2%
Average assets (in billions of dollars)	\$ 189	\$ 156	\$ 136	21%	15%
Return on assets	1.03%	1.07%	1.20%		
Average risk capital(1)	\$ 3,280	\$ 2,689	\$ 2,137	22	26

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	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
Return on risk capital(1)	59%	62%	76%		
Return on invested capital(1)	34%	30%			

Key indicators: (in billions of dollars)

Net interest margin:(2)					
Real Estate Lending	2.46%	2.92%	3.46%		
Student Loans	1.96	2.64	2.33		
Auto	10.52	11.72	12.93		
Originations:					
Real Estate Lending	\$ 131.9	\$ 115.3	\$ 120.3	14%	(4)%
Student Loans	10.8	7.8	6.8	38	15
Auto	6.4	5.3	4.8	21	10

(1) See footnote 5 to the table on page 3.

(2) As a percentage of average loans.

2005 vs. 2004

Revenues, net of interest expense, increased due to volume growth in all products, improved net servicing revenues, higher securitization and portfolio sales gains, and the benefit of the Principal Residential Mortgage, Inc. (PRMI) acquisition, partially offset by lower net interest revenue due to spread compression. The increase in net revenues was driven by the absence of a loss in the prior year due to servicing hedge ineffectiveness caused by the volatile rate environment. Average loan growth reflected a 16% increase in originations across all businesses.

Operating expenses increased primarily due to higher volumes and the impact of the PRMI acquisition.

Provisions for loan losses and for benefits and claims decreased due to lower net credit losses of \$136 million, primarily in the Auto and Real Estate Lending businesses, partially offset by lower loan loss reserve releases of \$91 million. The lower loan loss reserve releases reflected a \$110 million reserve build related to the estimated impact of Hurricane Katrina in the 2005 third quarter, partially offset by reserve releases of \$89 million in Auto and \$76 million in Real Estate Lending related to the reorganization of the *U.S. Consumer Finance* businesses. The continued favorable credit environment drove a decline in the net credit loss ratio.

A 20% increase in prime mortgage originations and home equity loans drove loan growth. Non-prime mortgage originations declined 20%, reflecting the company's decision to avoid offering teaser rate and interest-only mortgages to lower FICO score customers.

2004 vs. 2003

Revenues, net of interest expense, decreased mainly due to lower securitization revenues and lower net servicing revenues. Lower hedge-related revenues, due to higher hedging costs and the impact of losses on mortgage servicing hedge ineffectiveness, resulting from the volatile rate environment, drove the decline in net servicing revenues. These declines were partially offset by the impact of higher loan volumes driven by growth in originations, and the PRMI acquisition.

Operating expenses were down due to lower expenses in the Real Estate Lending and Auto businesses which were partially offset by a volume-driven increase in expenses in the Student Loans business.

Provisions for loan losses and for benefits and claims decreased due to \$155 million of loan loss reserve releases in 2004, primarily in the Real Estate Lending and Auto businesses, reflecting a favorable credit environment.

U.S. Commercial Business

U.S. Commercial Business
Net Income
In billions of dollars

U.S. Commercial Business
Average Loans
In billions of dollars

U.S. Commercial Business
Total Deposits
In billions of dollars at December 31

U.S. Commercial Business provides equipment leasing and financing, banking services to small- and middle-market businesses (\$5 million to \$500 million in annual revenues) and financing for investor-owned multifamily and commercial properties. Revenues are composed of net interest revenue and fees on loans and leases.

	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
In millions of dollars					
Revenues, net of interest expense	\$ 2,299	\$ 2,294	\$ 2,028		13%
Operating expenses	1,340	1,307	942	3%	39
Provision for loan losses	9	(118)	376	NM	NM
Income before taxes and minority interest	\$ 950	\$ 1,105	\$ 710	(14)%	56%
Income taxes	221	340	183	(35)	86
Minority interest, net of taxes			2		(100)
Net income	\$ 729	\$ 765	\$ 525	(5)%	46%
Average assets (<i>in billions of dollars</i>)	\$ 38	\$ 37	\$ 40	3%	(8)%
Return on assets	1.92%	2.07%	1.31%		
Average risk capital(1)	\$ 1,813	\$ 1,976	\$ 2,100	(8)	(6)
Return on risk capital(1)	40%	39%	25%		
Return on invested capital(1)	27%	27%			
Key indicators: (<i>in billions of dollars</i>):					
Average earning assets	\$ 33.0	\$ 33.7	\$ 36.1	(2)%	(7)%

(1) See footnote 5 to the table on page 23.

NM
Not meaningful

2005 vs. 2004

Revenues, net of interest expense, were essentially flat as growth in core loan and deposit balances, up 13% and 20% respectively, and the impact of the FAB acquisition were more than offset by the impact of spread compression and reduced revenues from sold and liquidating portfolios. Revenues also reflected a \$162 million legal settlement benefit related to the purchase of Copelco in the 2005 third quarter, a \$161 million gain on the sale of the CitiCapital Transportation Finance business in the 2005 first quarter, and the reclassification of operating leases from loans to other assets and the related operating lease depreciation expense from revenue to expense. The reclassification of operating leases increased both revenues and expenses by \$123 million.

Operating expenses increased primarily due to the impact of the operating lease reclassification from revenue to expense of \$123 million and the impact of the FAB acquisition, partially offset by lower expenses from the sold transportation finance businesses and a \$23 million expense benefit related to the Copelco legal settlement.

Provision for loan losses increased primarily due to the absence of \$216 million in loan loss reserve releases during 2004, partially offset by lower net credit losses due to an improved credit environment and the continued liquidation of non-core portfolios.

Deposit and core loan growth reflected strong transaction volumes and balances across all business units and the impact of the FAB acquisition, partially offset by declines in the liquidating portfolio, primarily due to the impact of the sale of the CitiCapital Transportation Finance business.

2004 vs. 2003

Revenues, net of interest expense, increased primarily due to the reclassification of operating leases from loans to other assets and the related operating lease depreciation expense of \$403 million from revenue to expense. This was partially offset by the impact of the liquidation of non-core portfolios, including the prior-year sale of the Fleet Services portfolio.

Operating expenses increased primarily due to the \$403 million impact of the operating lease reclassification from revenue to expense, partially offset by lower expenses from the liquidating and sold portfolios.

Provision for loan losses decreased as \$216 million of loan loss reserves were released during 2004, reflecting the improved credit environment and the continued liquidation of non-core portfolios.

Deposit and loan volumes declined, primarily due to the liquidation and sales of non-core portfolios.

U.S. Consumer Outlook

Certain of the statements below are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 95.

During 2006, the *U.S. Consumer* businesses will focus on continued expansion of its customer base by opening new branches and offering a more integrated set of products and services. The businesses will also focus on maintaining tight expense control, effective credit management and productivity improvements. Revenues and credit performance will be affected by U.S. economic conditions, including the level of interest rates, bankruptcy filings and unemployment rates.

In 2006, the *U.S. Consumer* business is expected to operate in a stable to improving economic environment. Net interest revenue pressure is expected to continue due to the flat yield curve and competitive pricing environment but is not expected to be as pressured as in 2005. Bankruptcy filings are expected to decline significantly from 2005 levels. The credit environment is expected to be stable, in line with underlying trends in delinquency experience and a stable to improving economy. Inflation is expected to remain well-contained.

U.S. Cards In 2006, the competitive environment is expected to remain robust and challenging. *U.S. Cards* expects to generate earnings growth as managed receivables increase and expenses remain controlled through improved productivity levels and opportunities of scale. Growth in managed receivables will be driven by continued brand development, private-label expansion and new product launches. Credit costs will reflect the benefit of lower bankruptcy filings. Credit is expected to be negatively affected by conforming to industry and regulatory guidance regarding minimum payment calculations. This change will result in an increase in delinquencies and credit loss experience, which the business is working to minimize through customer solutions, credit line management, and collection strategies.

U.S. Retail Distribution In 2006 *U.S. Retail Distribution* expects to generate increases in loans, deposits and accounts, which will in turn drive earnings growth. The business will significantly expand its footprint with an aggressive program of new branch openings in both the Citibank and CitiFinancial businesses. The challenging interest rate environment is expected to continue, with a corresponding shift in deposits to lower-profit time deposits and CDs, which will affect both sales and income growth. Credit costs are expected to reflect the benefit of lower bankruptcy filings, while the underlying credit environment is expected to remain stable.

U.S. Consumer Lending In 2006 *U.S. Consumer Lending* expects to generate earnings growth across its product lines. In Real Estate Lending, an expected decline in the level of new housing starts and existing home sales will be mitigated by an increase in the Retail Distribution network of branches, and higher sales from Primerica agents in the *Smith Barney* network. Results are also expected to reflect improved portfolio earnings and servicing activities. Loan volume growth is forecast in the Student Loan and Auto businesses.

U.S. Commercial Business In 2006, earnings growth is expected from continued expansion of the core business portfolio and a stable credit environment.

INTERNATIONAL CONSUMER

International Consumer
Net Income
In billions of dollars

International Consumer
2005 Net Income by Product

International Consumer
2005 Net Income by Region

International Consumer is composed of three businesses: Cards, Consumer Finance and Retail Banking.

	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
In millions of dollars					
Revenues, net of interest expense, by region:					
<i>Mexico</i>	\$ 4,373	\$ 3,607	\$ 2,971	21%	21%
<i>Latin America</i>	1,110	979	864	13	13
<i>EMEA</i>	5,201	4,735	3,957	10	20
<i>Japan</i>	3,251	3,290	3,374	(1)	(2)
<i>Asia</i>	4,461	3,813	2,941	17	30
Revenues, net of interest expense	\$ 18,396	\$ 16,424	\$ 14,107	12%	16%
Operating expenses	9,520	8,549	7,604	11	12
Provisions for loan losses and for benefits and claims	3,463	2,653	2,554	31	4
Income before taxes and minority interest	\$ 5,413	\$ 5,222	\$ 3,949	4%	32%
Income taxes	1,314	1,340	890	(2)	51
Minority interest, net of taxes	1	2	3	(50)	(33)
Net income	\$ 4,098	\$ 3,880	\$ 3,056	6%	27%
Net income by region					
<i>Mexico</i>	\$ 1,432	\$ 978	\$ 785	46%	25%
<i>Latin America</i>	236	296	197	(20)	50
<i>EMEA</i>	374	802	680	(53)	18
<i>Japan</i>	706	616	583	15	6
<i>Asia</i>	1,350	1,188	811	14	46
Net income	\$ 4,098	\$ 3,880	\$ 3,056	6%	27%
Average assets (<i>in billions of dollars</i>)	\$ 167	\$ 150	\$ 129	11%	16%
Return on assets	2.45%	2.59%	2.37%		

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	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
Average risk capital(1)	\$ 13,014	\$ 11,309	\$ 11,248	15%	1%
Return on risk capital(1)	31%	34%	27%		
Return on invested capital(1)	16%	16%			

(1) See footnote 5 to the table on page 3.

International Cards

International Cards
Net Income
In billions of dollars

International Cards
2005 Net Income by Region

International Cards
Average Loans
In billions of dollars

International Cards provides MasterCard-, Visa- and Diners-branded credit and charge cards, as well as private label cards and co-branded cards, to more than 26 million customer accounts in 43 countries outside of the U.S. and Canada. Revenues are primarily generated from net interest revenue on receivables, interchange fees on purchase sales and other delinquency or service fees.

	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
In millions of dollars					
Revenues, net of interest expense, by region:					
<i>Mexico</i>	\$ 1,311	\$ 870	\$ 561	51%	55%
<i>Latin America</i>	297	280	217	6	29
<i>EMEA</i>	1,277	1,157	964	10	20
<i>Japan</i>	302	295	259	2	14
<i>Asia</i>	1,663	1,472	1,183	13	24
Revenues, net of interest expense	\$ 4,850	\$ 4,074	\$ 3,184	19%	28%
Operating expenses	2,371	2,131	1,674	11	27
Provision for loan losses	739	510	536	45	(5)
Income before taxes and minority interest	\$ 1,740	\$ 1,433	\$ 974	21%	47%
Income taxes	364	293	246	24	19
Minority interest, net of taxes	3	3	3		
Net income	\$ 1,373	\$ 1,137	\$ 725	21%	57%
Net income by region:					
<i>Mexico</i>	\$ 564	\$ 377	\$ 228	50%	65%
<i>Latin America</i>	108	120	97	(10)	24
<i>EMEA</i>	188	164	101	15	62
<i>Japan</i>	75	100	58	(25)	72
<i>Asia</i>	438	376	241	16	56
Net income	\$ 1,373	\$ 1,137	\$ 725	21%	57%
Average assets (in billions of dollars)	\$ 26	\$ 21	\$ 17	24%	24%

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	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
Return on assets	5.28%	5.41%	4.26%		
Average risk capital(1)	\$ 1,794	\$ 1,240	\$ 1,080	45	15
Return on risk capital(1)	77%	92%	67%		
Return on invested capital(1)	34%	34%			
Key indicators: (in billions of dollars)					
Purchase sales	\$ 68.7	\$ 59.1	\$ 45.3	16%	30%
Average yield(2)	17.82%	16.74%	17.16%		
Net interest margin(2)	12.34%	12.79%	12.85%		

- (1) See footnote 5 to the table on page 3.
- (2) As a percentage of average loans.

2005 vs. 2004

Revenues, net of interest expense, increased primarily due to growth in purchase sales and average loans, as well as the impact of the KorAm acquisition, a gain on sale of a merchant-acquiring business in *EMEA* of \$95 million, and the impact of foreign currency translation. This was partially offset by the absence of a prior-year gain on the sale of Orbitall (credit card processing company in Brazil) of \$42 million. Volume growth was diversified across regions, led by *Mexico*. Net interest spread compression reflected rising funding costs and a primarily fixed rate portfolio.

Operating expenses increased, primarily driven by the impact of higher expansion expenses in *Asia* and *EMEA*, integration expenses of CrediCard in the Brazil franchise, the KorAm acquisition, and the impact of foreign currency translations. A VAT refund in *Mexico* during the 2005 third quarter partially offset expense growth.

Provision for loan losses reflected an increase in net credit losses, due primarily to volume growth in *Mexico*, which was partially offset by declines in *Asia*. During 2005, loan loss reserves increased by \$175 million, reflecting portfolio expansion and the absence of prior-year reserve releases of \$103 million, recorded mostly in *Asia* and *Latin America*.

Mexico income increased due to higher sales volumes and average loans, as well as a tax benefit related to the Homeland Investment Act and the VAT refund. *Asia* income increased due to strong sales, loan balance increases, and improved net credit loss experience. *EMEA* income increased primarily due to the gain on the sale of a merchant-acquiring business, partially offset by increased expense related to business expansion and customer acquisition initiatives. *Latin America* income declined primarily due to the 2004 gain on the sale of Orbitall and the absence of 2004 credit reserve releases. *Japan* income declined primarily due to tax credits received in 2004.

2004 vs. 2003

Revenues, net of interest expense, increased, reflecting growth in all regions, and included the addition of KorAm and Diners Club Europe, the benefit of foreign currency translation, and the gain on the sale of Orbitall in the 2004 fourth quarter. *International Cards* sales grew 30%, reflecting growth in *Asia*, *Latin America* and *Japan*, the addition of KorAm, and the benefit of strengthening currencies. *Average managed loans* benefited from strengthening currencies and organic growth in both *Asia* and *EMEA*, as well as the addition of KorAm, to grow 27%.

Operating expenses increased, reflecting growth in all regions. This included the impact of the Diners Club Europe and KorAm acquisitions, the net effect of foreign currency translation, and increased advertising and marketing expenses.

Provision for loan losses decreased, primarily due to the release of \$103 million in credit reserves during 2004 as the credit environment improved. Partially offsetting this release were additional net credit losses primarily due to the acquisitions of KorAm and Diners Club Europe.

International Consumer Finance

**International Consumer Finance
Net Income**
In billions of dollars

**International Consumer Finance
2005 Net Income by Region**

**International Consumer Finance
Average Loans**
In billions of dollars

International Consumer Finance provides community-based lending services through a branch network, regional sales offices and cross-selling initiatives with *International Cards* and *International Retail Banking*. As of December 31, 2005, *International Consumer Finance* maintained 2,137 sales points composed of 1,455 branches in more than 25 countries, and 682 Automated Loan Machines (ALMs) in Japan. *International Consumer Finance* offers real-estate-secured loans, unsecured or partially secured personal loans, auto loans, and loans to finance consumer-goods purchases. Revenues are primarily derived from net interest revenue and fees on loan products.

	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
In millions of dollars					
Revenues, net of interest expense, by region:					
Mexico	\$ 184	\$ 165	\$ 150	12%	10%
Latin America	123	96	84	28	14
EMEA	743	717	606	4	18
Japan	2,475	2,526	2,664	(2)	(5)
Asia	294	178	107	65	66
Revenues, net of interest expense	\$ 3,819	\$ 3,682	\$ 3,611	4%	2%
Operating expenses	1,612	1,479	1,443	9	2
Provision for loan losses	1,272	1,364	1,518	(7)	(10)
Income before taxes and minority interest	\$ 935	\$ 839	\$ 650	11%	29%
Income taxes	293	253	71	16	NM
Net income	\$ 642	\$ 586	\$ 579	10%	1%
Net income by region:					
Mexico	\$ 36	\$ 41	\$ 37	(12)%	11%
Latin America	10	28	4	(64)	NM
EMEA	36	126	134	(71)	(6)
Japan	505	362	392	40	(8)
Asia	55	29	12	90	NM
Net income	\$ 642	\$ 586	\$ 579	10%	1%
Average assets (in billions of dollars)	\$ 26	\$ 26	\$ 26		
Return on assets	2.47%	2.25%	2.23%		
Average risk capital(1)	\$ 918	\$ 1,003	\$ 915	(8)%	10%

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	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
Return on risk capital(1)	70%	58%	63%		
Return on invested capital(1)	18%	16%			
Key indicators:					
Average yield(2)	18.68%	18.33%	18.75%		
Net interest margin(2)	16.48%	16.53%	16.90%		
Number of sales points:					
Other branches	1,130	754	540		
Japan branches	325	405	552		
Japan Automated Loan Machines	682	512	372		
Total	2,137	1,671	1,464		

(1) See footnote 5 to the table on page 3.

(2) As a percentage of average loans.

NM Not meaningful

2005 vs. 2004

Revenues, net of interest expense, increased, driven by growth in all regions except *Japan*, mainly due to higher loan volumes. *Japan* revenues declined due to lower personal and real-estate-secured loan balances, partially offset by the impact of foreign currency translation.

Operating expense increased, reflecting the impact of investment spending associated with the expansion of 376 branches outside of *Japan* and repositioning charges in *EMEA* during the 2005 first quarter of \$38 million. These were partially offset by declines in *Japan* due to the closing of branches and the transition to ALMs.

Provision for loan losses declined due to improved credit conditions, including lower bankruptcy losses in *Japan* of \$96 million. This was partially offset by higher personal loan losses in the U.K., standardization of write-off policy in Spain and Italy, and lower credit reserve releases. The net credit loss ratio declined 61 basis points to 5.75%.

Growth in *average loans* was mainly driven by increases in the real-estate-secured and personal-loan portfolios in *EMEA* and *Asia*, partially offset by a decline in *EMEA* auto loans. In *Japan*, average loans declined by 10%, due to the impact of higher pay-downs, reduced loan demand, and the impact of foreign currency translation.

2004 vs. 2003

Revenues, net of interest expense, increased, with growth in all regions except *Japan*. The strongest growth was in *EMEA* and *Asia*, mainly due to higher loan volumes as well as the impact of foreign currency translation. This was partially offset by a decline in *Japan* from lower personal and real-estate-secured loan volumes, as well as a decline in spreads.

Operating expenses increased on higher investment spending for branch expansion in *Asia* and *EMEA*, as well as the impact of foreign currency translation. This was partially offset by expense reductions from branch closings and head-count reductions in *Japan*.

Provision for loan losses decreased as favorable credit conditions continued, including lower bankruptcies in *Japan*, partially offset by higher personal loan losses in *EMEA*.

Net Income increased from growth in *Latin America*, *Asia* and *Mexico*, primarily driven by volume growth, partially offset by declines in *Japan* (lower tax credits and lower revenue, partially offset by lower operating expenses and improved credit losses) and *EMEA* (higher net credit losses).

Growth in real-estate-secured and personal loans in both *EMEA* and *Asia* and the impact of strengthening currencies led to average loan growth, which was partially offset by a decline in *EMEA* auto loans. In *Japan*, average loans declined 6%, as the benefit of foreign currency translation was more than offset by increased loan pay downs and reduced loan demand.

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International Retail Banking
Net Income
In billions of dollars

International Retail Banking
2005 Net Income by Region

International Retail Banking
Average Loans
In billions of dollars

International Retail Banking delivers a wide array of banking, lending, insurance and investment services through a network of local branches and electronic delivery systems, including ATMs, call centers and the Internet. *International Retail Banking* serves more than 47 million customer accounts, composed of individuals and small businesses. Revenues are primarily derived from net interest revenue on deposits and loans, and fees on mortgage, banking, and investment products.

	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
In millions of dollars					
Revenues, net of interest expense, by region:					
<i>Mexico</i>	\$ 2,878	\$ 2,572	\$ 2,260	12%	14%
<i>Latin America</i>	690	603	563	14	7
<i>EMEA</i>	3,181	2,861	2,387	11	20
<i>Japan</i>	474	469	451		4
<i>Asia</i>	2,504	2,163	1,651	16	31
Revenues, net of interest expense	\$ 9,727	\$ 8,668	\$ 7,312	12%	19%
Operating expenses	5,537	4,939	4,487	12	10
Provisions for loan losses and for benefits and claims	1,452	779	500	86	56
Income before taxes and minority interest	\$ 2,738	\$ 2,950	\$ 2,325	(7)%	27%
Income taxes	657	794	573	(17)	39
Minority interest, net of taxes	(2)	(1)		(100)	
Net income	\$ 2,083	\$ 2,157	\$ 1,752	(3)%	23%
Net income by region:					
<i>Mexico</i>	\$ 832	\$ 560	\$ 520	49%	8%
<i>Latin America</i>	118	148	96	(20)	54
<i>EMEA</i>	150	512	445	(71)	15
<i>Japan</i>	126	154	133	(18)	16
<i>Asia</i>	857	783	558	9	40
Net income	\$ 2,083	\$ 2,157	\$ 1,752	(3)%	23%
Average assets (in billions of dollars)	\$ 115	\$ 103	\$ 86	12%	20%
Return on assets	1.81%	2.09%	2.04%		

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	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
Average risk capital(1)	\$ 10,303	\$ 9,067	\$ 9,252	14	(2)
Average return on risk capital(1)	20%	24%	19%		
Return on invested capital(1)	12%	13%			
Key indicators: (in billions of dollars):					
Average deposits	\$ 136.3	\$ 125.1	\$ 107.1	9%	17%
AUMs (EOP)	120.5	103.4	77.5	17	33
Average loans	61.7	53.6	42.5	15	26

(1) See footnote 5 to the table on page 3.

2005 vs. 2004

Revenues, net of interest expense, increased, with improved deposit revenues in all regions; higher branch lending revenues in *EMEA*, *Asia* and *Latin America*; higher investment revenues in all regions except *Latin America*; the benefits of foreign currency translation; and the impact of the KorAm acquisition. Average loans grew 15%, primarily in *Asia*, *Mexico*, and *Japan*, while average deposits grew by 9%, primarily in *Asia*, *Mexico*, and *EMEA*. Assets under management increased by 17%.

Operating expenses increased due to the expansion of the distribution network in all regions except *Japan*, foreign currency translation, the impact of first quarter 2005 repositioning expenses of \$70 million, and the impact of the KorAm acquisition. This was partially offset by the VAT refund of \$93 million in *Mexico*. Total branches grew by a net 131 during 2005, reflecting the opening of 183 new branches.

Provisions for loan losses and for benefits and claims increased as a sustained improvement in credit quality was offset by a \$476 million pretax charge to standardize loan write-off policies in *EMEA* to the global write-off policy (see page 7) and a \$127 million increase in the German credit reserves to reflect increased experience with the effects of bankruptcy law liberalization. As a result, the consumer net credit loss ratio increased to 3.05% in 2005. The standardization of the loan write-off policies resulted in a significant drop in the 90 days past-due ratio, which fell to 1.29% in 2005, compared to 3.36% in 2004 and 4.61% in 2003.

Net income in 2005 also reflected a \$61 million net tax benefit from the Homeland Investment Act.

Mexico income increased on strong sales and customer balance growth, as well as the VAT refund of \$93 million and tax benefits from the Homeland Investment Act. *Asia* income increased, benefiting primarily from strongly improved revenues due to increased business volumes, the impact of the KorAm acquisition, and benefits from foreign currency translation. *Japan* income declined due primarily to expense growth associated with the consolidation and compliance activities related to the shutdown of the Japan Private Bank. *Latin America* income declined, driven by repositioning expenses in 2005, and the impact of investment initiatives, primarily in Brazil. *EMEA* income declined, driven by the impact of the write-off policy standardization, increases in credit loss reserves in Germany, and repositioning expenses reflected in the first quarter of 2005.

2004 vs. 2003

Revenues, net of interest expense, increased, primarily due to the positive impact of foreign currency translation, the addition of KorAm and growth in *Asia*, *EMEA*, and *Mexico*. Excluding foreign currency translation and KorAm, growth in both *Asia* and *EMEA* was driven by increased investment product sales, and higher deposits and lending revenues. Higher loans and deposits, as well as the gain on the sale of a mortgage portfolio, drove growth in *Mexico*. This was partially offset by the negative impact of foreign currency translation.

Operating expenses increased, due to the impact of foreign currency translation, the addition of KorAm in *Asia*, and higher sales commissions and increased investment spending on branch and salesforce expansion.

Provisions for loan losses and for benefits and claims increased primarily due to higher net credit losses in *EMEA*, principally Germany, and in *Mexico*, due to the absence of a prior-year \$64 million credit recovery, and higher loan loss reserve builds in *EMEA*, partially offset by higher loan loss reserve releases in all other regions. Lower net credit losses in *Latin America* benefited from the absence of an \$87 million write-down of an Argentina compensation note in 2003, which was written down against previously established reserves.

Average customer deposits grew 17% from the prior year, primarily driven by growth in *Asia* and *EMEA*, which included the benefits of the KorAm acquisition and foreign currency translation. The KorAm acquisition and positive foreign currency translation drove average loan growth of 26%.

International Consumer Outlook

Certain of the statements below are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 95.

Consumer is well diversified across a number of geographies, product groups, and customer segments and monitors the economic situation in all of the countries in which it operates. In 2006, International Consumer will continue to invest aggressively to build on the competitive advantages of its existing global network of branches, offices and sales professionals. The business expects earnings growth from expanding its customer base, which is expected to drive growth in loans, deposits and investment product sales. Revenues and credit costs will be affected by global economic conditions, including the level of interest rates, the credit environment, unemployment rates, and political and regulatory developments around the world. International economies are expected to be stable to improving, with an improvement in economic activity expected in Western Europe and a self-sustaining recovery in *Japan*, two of International Consumer's most important markets. Citigroup's operations in Korea are currently experiencing labor actions that are impairing its ability to offer its full range of products and services. The Company is in active negotiations to reach an expeditious agreement with the union.

International Cards In 2006, continued investment in customer acquisition in both new and existing markets is expected to drive increased purchase sales and loan volumes. The credit environment is forecast to remain stable.

International Consumer Finance In 2006, investment in new branches and sales professionals will continue in key expansion markets. Organic growth in existing branches, coupled with new branch openings, is expected to drive revenue and earnings growth. Offerings of new loan products and services in new markets will continue, and gains in market share across several key international regions are forecast. The credit environment is expected to remain stable.

International Retail Banking In 2006, the business will continue to invest in branch expansion, building on a strong presence in several key markets and establishing its presence in new markets. The business is expected to generate revenue and earnings growth through an expanded base of customers, as well as increases in loan and deposit balances and increased investment product sales.

Other Consumer

Other Consumer includes certain treasury and other unallocated staff functions and global marketing.

	2005	2004	2003
	<u> </u>	<u> </u>	<u> </u>
	In millions of dollars		
Revenues, net of interest expense	\$ (258)	\$ 556	\$ 107
Operating expenses	349	388	289
	<u> </u>	<u> </u>	<u> </u>
Income (loss) before tax benefits	\$ (607)	\$ 168	\$ (182)
Income taxes (benefits)	(233)	71	(69)
	<u> </u>	<u> </u>	<u> </u>
Net income (loss)	\$ (374)	\$ 97	\$ (113)
	<u> </u>	<u> </u>	<u> </u>

Revenues and *expenses* reflect offsets to certain line-items reported in other Global Consumer operation segments.

The *net income* decline was primarily due to the absence of a \$378 million after-tax gain related to the sale of Samba in the 2004 second quarter, and the 2005 first quarter loss on the sale of a Manufactured Housing Loan portfolio of \$109 million after-tax, partially offset by the absence of a \$14 million after-tax write-down of assets in a non-core business in the 2004 fourth quarter and lower legal costs. Excluding the impact of the Samba gain, the decline in 2004 was primarily due to lower treasury results, including the impact of higher capital funding costs, the \$14 million after-tax write-down of assets in the 2004 fourth quarter, and higher staff-related, global marketing and legal costs.

CORPORATE AND INVESTMENT BANKING

Corporate and Investment Banking
Net Income
In billions of dollars

Corporate and Investment Banking
2005 Net Income by Product*

Corporate and Investment Banking
2005 Net Income by Region*

*Excludes Other Corporate and Investment
Banking income of \$433 million.

*Excludes Other Corporate and Investment
Banking income of \$433 million.

Corporate and Investment Banking (CIB) provides corporations, governments, institutions and investors in approximately 100 countries with a broad range of financial products and services. CIB includes *Capital Markets and Banking*, *Transaction Services* and *Other CIB*.

	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
In millions of dollars					
Revenues, net of interest expense, by region:					
U.S.	\$ 9,901	\$ 8,961	\$ 8,878	10%	1%
Mexico	777	770	708	1	9
Latin America	1,415	1,318	1,591	7	(17)
EMEA	6,849	6,512	5,741	5	13
Japan	1,224	817	520	50	57
Asia	3,697	3,408	2,594	8	31
Revenues, net of interest expense	\$ 23,863	\$ 21,786	\$ 20,032	10%	9%
Operating expenses	14,133	20,530	11,460	(31)	79
Provision for credit losses	(42)	(975)	732	96	NM
Income before taxes and minority interest	\$ 9,772	\$ 2,231	\$ 7,840	NM	(72)%
Income taxes	2,818	96	2,429	NM	(96)
Minority interest, net of taxes	59	93	37	(37)%	NM
Net income	\$ 6,895	\$ 2,042	\$ 5,374	NM	(62)%
Net income by region:					
U.S.	\$ 2,950	\$ (2,190)	\$ 2,540	NM	NM
Mexico	450	659	407	(32)%	62%
Latin America	619	813	566	(24)	44
EMEA	1,130	1,136	924	(1)	23
Japan	498	334	162	49	NM
Asia	1,248	1,290	775	(3)	66
Net income	\$ 6,895	\$ 2,042	\$ 5,374	NM	(62)%

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	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
Average risk capital(1)	\$ 21,226	\$ 19,047	\$ 16,266	11%	17%
Return on risk capital(1)	32%	11%	33%		
Return on invested capital(1)	24%	8%			

(1)

See footnote 5 to the table on page 3.

NM Not meaningful.

Capital Markets and Banking

Capital Markets and Banking
Net Income
In billions of dollars

Capital Markets and Banking
2005 Net Income by Region

Capital Markets and Banking
2005 Net Income by Region

Capital Markets and Banking offers a wide array of investment and commercial banking services and products, including investment banking and advisory services, debt and equity trading, institutional brokerage, foreign exchange, structured products, derivatives, and lending. *Capital Markets and Banking* revenue is generated primarily from fees for investment banking and advisory services, fees and spread on structured products, foreign exchange and derivatives, fees and interest on loans, and income earned on principal transactions.

	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
In millions of dollars					
Revenues, net of interest expense, by region:					
U.S.	\$ 8,860	\$ 8,116	\$ 8,061	9%	1%
Mexico	586	594	580	(1)	2
Latin America	896	883	1,099	1	(20)
EMEA	5,093	4,393	4,388	16	
Japan	1,140	744	456	53	63
Asia	2,395	2,376	1,861	1	28
Revenues, net of interest expense	\$ 18,970	\$ 17,106	\$ 16,445	11%	4%
Operating expenses	11,501	9,959	8,910	15	12
Provision for credit losses	(61)	(777)	738	92	NM
Income before taxes and minority interest	\$ 7,530	\$ 7,924	\$ 6,797	(5)%	17%
Income taxes	2,145	2,440	2,118	(12)	15
Minority interest, net of taxes	58	89	37	(35)	NM
Net income	\$ 5,327	\$ 5,395	\$ 4,642	(1)%	16%
Net income by region:					
U.S.	\$ 2,422	\$ 2,502	\$ 2,424	(3)%	3%
Mexico	376	544	349	(31)	56
Latin America	466	621	437	(25)	42
EMEA	810	486	709	67	(31)
Japan	485	322	150	51	NM
Asia	768	920	573	(17)	61
Net income	\$ 5,327	\$ 5,395	\$ 4,642	(1)%	16%

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	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
Average risk capital(1)	\$ 19,898	\$ 17,666	\$ 14,785	13%	19%
Return on risk capital(1)	27%	31%	31%		
Return on invested capital(1)	20%	24%			

(1) See footnote 5 to the table on page 3.

NM Not meaningful.

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2005 vs. 2004

Revenues, net of interest expense, increased, driven by growth across all products. Equity Markets revenues increased, driven by growth in cash trading, alternative execution and derivatives products. Fixed Income Markets revenue increases reflected growth in interest rate products, commodity derivatives, foreign exchange, and securitized markets. Investment Banking revenue growth was driven by increased advisory fees on strong growth in completed M&A transactions and growth in equity underwriting. Lending revenue growth was mainly due to hedging gains in credit derivatives. Revenues also include a \$386 million pretax gain on the sale of Nikko Cordial shares.

Operating expenses increased due to higher incentive compensation, including repositioning costs of \$212 million pretax (in the 2005 first quarter), increased investment spending on strategic growth initiatives, and the impact of the acquisitions of Knight and Lava Trading. Expenses included a \$160 million pretax charge to increase reserves for previously disclosed legal matters recorded in the 2005 fourth quarter.

The provision for credit losses increased, reflecting an increase to loan loss reserves in 2005 and the absence of loan loss reserve releases recorded in the prior year. The provision for credit losses in 2005 included \$289 million to increase loan loss reserves for increases in off-balance sheet exposure, and a slight decline in credit quality.

Net income in the *U.S.* decreased primarily due to an increased provision for credit losses.

The negative impact of a flat yield curve on revenues and the absence of loan loss reserve releases recorded in the prior year caused a decline in Mexican net income.

Latin America net income decreased primarily due to the absence of loan loss reserve releases recorded in 2004 and a decline in revenues from completed corporate finance transactions. Credit quality in Argentina and Brazil improved.

EMEA net income increased as a result of strong revenues across all businesses and lower credit provisions. Revenues increased in Fixed Income Markets, Equity Markets, Investment Banking, and Lending, on higher volumes and growth in customer activity.

Net income in *Japan* increased due to strong growth in Equity Markets and Fixed Income Markets revenues and a \$248 million after-tax gain on the sale of Nikko Cordial shares recorded in the 2005 fourth quarter.

Net income in *Asia* decreased primarily due to lower Fixed Income Markets revenues, mainly in global distressed debt trading and foreign exchange trading.

2004 vs. 2003

Revenues, net of interest expense, increased in our Lending, Fixed Income Markets, and Equity Markets. Lending increased primarily due to the absence of prior-year losses in credit derivatives (which serve as an economic hedge for the loan portfolio) and the acquisition of KorAm. Fixed Income Markets' increase was driven primarily by higher trading in commodities, distressed debt and mortgage trading, partially offset by declines in interest rate and foreign exchange trading. The Equity Markets increase primarily reflected increases in cash trading, including the impact of the Lava Trading acquisition and higher derivatives, partially offset by declines in convertibles. Investment Banking revenues were flat, reflecting lower debt underwriting offset by growth in equity underwriting and advisory and other fees, primarily M&A.

Operating expenses increased, primarily due to higher compensation and benefits expense, increased legal reserves, increased investment spending and the acquisitions of KorAm and Lava Trading.

The provision for credit losses was down, primarily due to lower credit losses in the power and energy industry in Argentina and Brazil, prior-year losses recorded on Parmalat, and loan loss reserve releases as a result of improving credit quality globally.

Net income in the *U.S.* increased primarily due to a lower provision for credit losses, as well as increases in Lending, Fixed Income Markets and Equity Markets revenues.

Mexico net income increased primarily due to loan loss reserve releases resulting from improving credit quality.

Latin America net income increased primarily due to loan loss reserve releases on improving credit quality, partially offset by the absence of strong prior-year Fixed Income Markets revenues in Brazil.

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In *EMEA*, declines in Fixed Income Markets and relatively flat advisory and other revenues, as well as increased expenses from legal reserves, higher investment spending, and compensation and benefits, drove flat results.

Net income in *Japan* increased, driven by increases in Fixed Income Markets and Investment Banking revenues, a gain on the partial sale of Nikko Cordial shares worth \$20 million pretax, and a lower provision for credit losses due to loan loss reserve releases.

Net income in *Asia* increased primarily due to increases in Fixed Income Markets (mainly in global distressed debt trading and foreign exchange trading), loan loss reserve releases as a result of improving credit quality, and the acquisition of KorAm.

Transaction Services

Transaction Services
Net Income
In billions of dollars

Transaction Services
2005 Net Income by Region

Transaction Services
2005 Net Revenue by Type

Transaction Services is composed of Cash Management, Trade Services and Global Securities Services (GSS). Cash Management and Trade Services provide comprehensive cash management and trade finance for corporations and financial institutions worldwide. GSS provides custody and fund services to investors such as insurance companies and pension funds, clearing services to intermediaries such as broker/dealers, and depository and agency/trust services to multinational corporations and governments globally. Revenue is generated from fees for transaction processing, net interest revenue on Trade Services loans and deposits in Cash Management and GSS, and fees on assets under custody in GSS.

	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
In millions of dollars					
Revenues, net of interest expense, by region:					
U.S.	\$ 1,039	\$ 827	\$ 829	26%	%
Mexico	191	176	128	9	38
Latin America	519	435	492	19	(12)
EMEA	1,756	1,535	1,353	14	13
Japan	84	73	64	15	14
Asia	1,302	1,032	733	26	41
Revenues, net of interest expense	\$ 4,891	\$ 4,078	\$ 3,599	20%	13%
Operating expenses	3,316	2,846	2,561	17	11
Provision for credit losses	19	(198)	(6)	NM	NM
Income before taxes and minority interest	\$ 1,556	\$ 1,430	\$ 1,044	9%	37%
Income taxes	420	381	296	10	29
Minority interest, net of taxes	1	4		(75)	
Net income	\$ 1,135	\$ 1,045	\$ 748	9%	40%
Net income by region:					
U.S.	\$ 95	\$ 84	\$ 132	13%	(36)%
Mexico	74	115	58	(36)	98
Latin America	153	192	129	(20)	49
EMEA	320	272	215	18	27
Japan	13	12	12	8	
Asia	480	370	202	30	83
Net income	\$ 1,135	\$ 1,045	\$ 748	9%	40%
Average risk capital(1)	\$ 1,328	\$ 1,380	\$ 1,481	(4)%	(7)%

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	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
Return on risk capital(1)	85%	76%	51%		
Return on invested capital(1)	47%	46%			
Key indicators:					
Liability balances <i>(average in billions of dollars)</i>	\$ 145	\$ 121	\$ 100	20%	21%
Assets under custody at year end <i>(in trillions of dollars)</i>	8.6	7.9	6.4	9	23

(1) See footnote 5 to the table on page 3.

NM Not meaningful.

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2005 vs. 2004

Revenues, net of interest expense, increased, reflecting growth in Cash Management and Global Securities Services. Average liability balances grew 20%, primarily due to increases in *Asia*, *EMEA* and the *U.S.*, reflecting positive flow from new and existing customers. Average liability balances reached \$155 billion in the fourth quarter.

Cash Management revenue increased mainly due to growth in liability balances, improved spreads, and increased fees from new sales. Revenue growth was at a double-digit rate across all regions.

Global Securities Services revenue increased, primarily reflecting growth in *Latin America*, *Asia* and the *U.S.*; higher assets under custody and fees; and the impact of acquisitions. Assets under custody reached \$8.6 trillion, an increase of \$0.7 trillion, or 9%, on strong momentum from record sales, equity markets, and the inclusion of ABN Amro and Unisen assets under custody. This was partially offset by a strengthened U.S. dollar and a slowdown in fixed income markets.

Trade Services revenue increased, due to growth in *Asia* and *EMEA*, partially offset by spread compression in *Mexico* and *Latin America*.

The change in *the provision for credit losses* was attributable to a reserve release of \$163 million in 2004; this compared to reserve increases of \$18 million in 2005.

Operating expenses increased on higher business volumes, acquisitions, and investments in growth opportunities.

Net income in the *U.S.* increased, due to growth in liability balances, improved spreads, and an increase in assets under custody, partially offset by higher expenses due to acquisitions and continued investment spending.

Mexico net income decreased, due primarily to loan loss reserve releases in 2004. Adjusting for the reserve releases in 2004, net income momentum was strong.

Latin America net income decreased, due primarily to the impact of loan loss reserve releases in 2004.

EMEA net income increased, mainly due to increases in liability balances and assets under custody, which drove strong revenues in Cash Management and Global Securities Services.

Asia net income rose in 2005, driven by new sales, increased fees from higher customer volumes, the impact of the KorAm acquisition, and growth in liability balances.

Japan net income increased, mainly due to increases in liability balances and assets under custody.

Cash-basis loans, which in the *Transaction Services* businesses are primarily trade finance receivables, were \$81 million and \$112 million at December 31, 2005 and 2004, respectively. The decrease of \$31 million in 2005 was primarily due to a decline in Brazil.

2004 vs. 2003

Revenues, net of interest expense, increased, reflecting growth in Cash Management and Global Securities Services, offset by declines in Trade Services.

Cash Management revenue increased, mainly due to growth in liability balances (primarily in *Asia* and *EMEA* and the acquisition of KorAm), improved spreads, a benefit from foreign currency translation and increased fees. This was partially offset by gains on the early termination of intracompany deposits (which were offset in *Capital Markets and Banking*) in 2003.

Global Securities Services revenue increased, primarily reflecting higher fees on a \$1.5 trillion increase in assets under custody from market appreciation, foreign translation benefits, incremental net sales, and the impact of acquisitions. These improvements were partially offset by a prior-year gain on the sale of interest in a European market exchange.

Trade Services revenue decreased, primarily due to lower spreads.

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Operating expenses increased on the impact of foreign currency translation and higher business volumes, including the effect of acquisitions, as well as increased compensation and benefits costs.

The provision for credit losses decreased, primarily due to a loan loss reserve release of \$163 million in 2004 as a result of improving credit quality and net credit recoveries in *Latin America*.

Net income in the *U.S.* decreased, due to loan loss reserve releases in 2003, increased investment spending, divestitures, increases in expenses, and gains on the early termination of intracompany deposits (which were offset in *Capital Markets and Banking*) in 2003.

Mexico net income increased, due primarily to loan loss reserve releases in 2004 and increases in fee revenue.

Latin America net income increased, due primarily to loan loss reserve releases in 2004.

EMEA net income increased, due to increases in liability balances, growth in assets under custody, and the impact of acquisitions.

Asia net income rose, due to increases in liability balances and a benefit from the impact of KorAm.

Japan net income was flat at \$12 million. Growth in liability balances and assets under custody were offset by higher business and investment spending, including the Nikko Cititrust joint venture.

Cash-basis loans were \$112 million and \$156 million at December 31, 2004 and 2003, respectively. The decrease in cash-basis loans of \$44 million in 2004 was primarily due to charge-offs in Argentina and Poland.

Other CIB

Other CIB includes offsets to certain line items reported in other CIB segments, certain non-recurring items and tax amounts not allocated to CIB products.

	2005	2004	2003
	(In millions of dollars)		
Revenues, net of interest expense	\$ 2	\$ 602	\$ (12)
Operating expenses	(684)	7,725	(11)
Income (loss) before income taxes (benefits)	\$ 686	\$ (7,123)	\$ (1)
Income taxes (benefits)	253	(2,725)	15
Net income (loss)	\$ 433	\$ (4,398)	\$ (16)

2005 vs. 2004:

Net income of \$433 million in 2005, compared to a net loss of \$4.398 billion in 2004, is primarily the result of the \$4.95 billion after-tax WorldCom and Litigation Reserve Charge recorded in 2004 and the release of WorldCom/ Research litigation reserves of \$375 million after-tax in the 2005 fourth quarter. Results in 2004 included a \$378 million after-tax gain on the sale of Samba recorded in *EMEA*. Results in 2005 included a \$120 million after-tax insurance recovery related to WorldCom and Enron legal matters recorded in the 2005 fourth quarter.

2004 vs. 2003:

Net loss of \$4.398 billion included the \$4.95 billion after-tax WorldCom and Litigation Reserve Charge, partially offset by a \$378 million after-tax gain on the sale of Samba recorded in *EMEA*.

Corporate and Investment Banking Outlook

Certain of the statements below are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 95.

CIB is significantly affected by the levels of activity in the global capital markets, which are influenced by macro-economic and political developments, among other factors, in the approximately 100 countries in which the business operates. Global economic and market events can have both positive and negative effects on the revenue and credit performance of the businesses.

As we enter the year, the credit environment is stable; however, losses on corporate lending activities and the level of cash-basis loans can vary widely with respect to timing and amount, particularly within any narrowly defined business or loan type.

In 2006, *Capital Markets & Banking* initiatives will continue to focus on the delivery of financial solutions tailored to clients' needs and the targeting of client segments with strong growth prospects. The business intends to leverage its position in flow products and client relationships to increase its share of higher-margin structured products, for which continued demand is expected. Building on the momentum of 2005, *Capital Markets and Banking* will continue to leverage the acquisitions of Lava Trading, Knight Trading's derivatives markets businesses and the more recently announced electronic communications network, to grow the Equity Markets business. The business has initiated a multi-year build out of structured products capabilities in rates, currencies and credit, which should become a platform for future growth. Banking will build on the successful launch last year of the National Corporate Bank and National Investment Bank in the U.S. and continue to expand its client base in Europe and the emerging markets, particularly the rapidly expanding small and medium enterprises (SME) business segment. In parallel, leveraging the CIB's global network, client teams will seek to further strengthen client relationships and increase market share and revenues.

In 2006, *Transaction Services* will work to grow revenues and earnings organically while funding strategic investments. The recent investments in funds services, cross-border payments and liquidity management will drive some of this growth. The recent U.S. interest rate increases are expected to have a positive impact on revenue; however, this may be partially offset by industry-wide spread compression, especially in trade financing. Global Securities Services is well positioned to capitalize on the momentum in the global capital markets, especially in emerging markets.

GLOBAL WEALTH MANAGEMENT

Global Wealth Management
Net Income
In billions of dollars

Global Wealth Management
2005 Net Income by Product

Global Wealth Management
2005 Net Income by Region*

*Excludes Japan loss of \$82 million.

Global Wealth Management is composed of the *Smith Barney* Private Client businesses (including Citigroup Wealth Advisors outside the U.S.), Citigroup *Private Bank*, and Citigroup Investment Research.

	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
(In millions of dollars)					
Revenues, net of interest expense by region:					
U.S.	\$ 7,628	\$ 7,241	\$ 6,596	5%	10%
Mexico	124	138	117	(10)	18
Latin America	203	227	212	(11)	7
EMEA	295	291	260	1	12
Japan	(6)	200	264	NM	(24)
Asia	440	432	398	2	9
Revenues, net of interest expense	\$ 8,684	\$ 8,529	\$ 7,847	2%	9%
Operating expenses	6,696	6,666	5,753		16
Provision for loan losses	29	(5)	12	NM	NM
Income before taxes	\$ 1,959	\$ 1,868	\$ 2,082	5%	(10)%
Income taxes	715	659	736	8	(10)
Net income	\$ 1,244	\$ 1,209	\$ 1,346	3%	(10)%
Net income by region:					
U.S.	\$ 1,141	\$ 1,179	\$ 1,076	(3)%	10%
Mexico	44	52	41	(15)	27
Latin America	17	43	44	(60)	(2)
EMEA	8	15	(16)	(47)	NM
Japan	(82)	(205)	83	60	NM
Asia	116	125	118	(7)	6
Net income	\$ 1,244	\$ 1,209	\$ 1,346	3%	(10)%
Average risk capital(1)	\$ 2,113	\$ 1,907	\$ 1,896	11%	1%
Return on risk capital(1)	59%	63%	71%		

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	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
Return on invested capital(1)	46%	52%			

(1) See footnote 5 to the table on page 3.

NM Not meaningful.

Smith Barney

Smith Barney
Net Income
In billions of dollars

Smith Barney
Total Assets Under Fee-Based
Management
In billions of dollars at December 31

Smith Barney
Financial Advisors
At December 31

Smith Barney provides investment advice, financial planning and brokerage services to affluent individuals, companies, and non-profits through a network of more than 13,000 Financial Advisors in more than 600 offices primarily in the U.S. *Smith Barney* generates revenue from managing client assets, acting as a broker for clients in the purchase and sale of securities, financing customers' securities transactions and other borrowing needs through lending, and through the sale of mutual funds.

	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
(In millions of dollars)					
Revenues, net of interest expense	\$ 6,825	\$ 6,485	\$ 5,851	5%	11%
Operating expenses	5,405	5,016	4,570	8	10
Provision for loan losses	12		1		(100)
Income before taxes	\$ 1,408	\$ 1,469	\$ 1,280	(4)%	15%
Income taxes	537	578	485	(7)	19
Net income	\$ 871	\$ 891	\$ 795	(2)%	12%
Average risk capital(1)	\$ 938	\$ 1,156	\$ 1,269	(19)%	(9)%
Return on risk capital(1)	93%	77%	63%		
Return on invested capital(1)	59%	57%			
Key indicators: (in billions of dollars)					
Total assets under fee-based management	\$ 321	\$ 240	\$ 209	34%	15%
Total client assets	\$ 1,130	\$ 978	\$ 912	16	7
Financial advisors	13,414	12,138	12,207	11	(1)
Annualized revenue per financial advisors (in thousands of dollars)	\$ 556	\$ 536	\$ 473	4	13

(1)

See footnote 5 to the table on page 3.

2005 vs. 2004

Revenues, net of interest expense, increased primarily due to a \$459 million increase in asset-based revenue. Lower client trading volumes drove a decline in transactional revenue, which decreased by \$119 million.

Operating expenses increased, primarily due to higher production-related compensation as a result of increased revenue. The increase also included repositioning charges of \$28 million pretax in the first quarter of 2005, higher legal costs, and integration costs related to the acquisition of the Legg Mason retail brokerage business.

Provision for loan loss increased, primarily reflecting the impact of growth in tailored loans.

On December 1, 2005, *Smith Barney* completed the acquisition of Legg Mason's private client business, which added 124 branches, approximately \$100 billion of assets under management and more than 1,200 financial advisors, primarily in the Mid-Atlantic and Southeastern states. These branches and financial advisors were converted to *Smith Barney's* operating platform during the 2006 first quarter.

Total assets under fee-based management increased, reflecting organic growth and the addition of Legg Mason. Total client assets, including assets under fee-based management, increased primarily due to higher equity market values, the acquisition of Legg Mason and positive net flows of \$28 billion.

2004 vs. 2003

Revenues, net of interest expense, increased in both asset-based fee revenue, reflecting higher assets under fee-based management, and transactional revenue, reflecting equity market appreciation driving trading.

Operating expenses increased, primarily reflecting higher marketing, legal and compliance costs, as well as continued investment in new client offerings.

The increase in total assets under fee-based management was primarily due to positive net flows and higher equity market values. Total client assets, including assets under fee-based management, increased primarily due to higher equity market values and positive net flows of \$24 billion.

Citigroup Investment Research

Citigroup Investment Research provides independent client-focused research to individuals and institutions around the world. The majority of expense for this organization is charged to the Global Equities business in *Capital Markets and Banking* and *Smith Barney*.

Private Bank

Private Bank
Net Income
In billions of dollars

Private Bank
2005 Net Income by Region*

Private Bank
Client Business Volumes Under Management
In billions of dollars at December 31

*Excludes Japan loss of \$82 million.

Private Bank provides personalized wealth management services for high-net-worth clients in 33 countries and territories. These services include comprehensive investment management (investment funds management, capital markets solutions, and trust, fiduciary and custody services), investment finance (credit services including real estate financing, commitments and letters of credit) and banking services (deposit, checking and savings accounts, as well as cash management and other traditional banking services).

	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
In millions of dollars					
Revenues, net of interest expense, by region:					
U.S.	\$ 803	\$ 756	\$ 745	6%	1%
Mexico	124	138	117	(10)	18
Latin America	203	227	212	(11)	7
EMEA	295	291	260	1	12
Japan	(6)	200	264	NM	(24)
Asia	440	432	398	2	9
Revenues, net of interest expense	\$ 1,859	\$ 2,044	\$ 1,996	(9)%	2%
Operating expenses	1,291	1,650	1,183	(22)	39
Provision for loan losses	17	(5)	11	NM	NM
Income before taxes	\$ 551	\$ 399	\$ 802	38%	(50)%
Income taxes	178	81	251	NM	(68)
Net income	\$ 373	\$ 318	\$ 551	17%	(42)%
Net income by region:					
U.S.	\$ 270	\$ 288	\$ 281	(6)%	2%
Mexico	44	52	41	(15)	27
Latin America	17	43	44	(60)	(2)
EMEA	8	15	(16)	(47)	NM
Japan	(82)	(205)	83	60	NM
Asia	116	125	118	(7)	6

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	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
Net income	\$ 373	\$ 318	\$ 551	17%	(42)%
Average risk capital(1)	\$ 1,175	\$ 751	\$ 627	56%	20%
Return on risk capital(1)	32%	42%	88%		
Return on invested capital(1)	29%	40%			
Key indicators: (in billions of dollars)					
Client assets under fee-based management	\$ 52	\$ 52	\$ 42	%	24%
Other client activity	174	172	153	1	12
Total client business volumes	\$ 226	\$ 224	\$ 195	1%	15%

(1) See footnote 5 to the table on page 3.

NM Not meaningful.

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2005 vs. 2004

Revenues, net of interest expense, decreased due to the closure of the *Japan Private Bank* business. Revenue in *Japan* included losses of \$82 million from foreign exchange and interest rate hedges on anticipated client settlements for which reserves were established in the 2004 fourth quarter.

U.S. revenue increased, primarily driven by increased banking spreads and growth in lending volumes, combined with growth in fee income from discretionary and custody assets. Growth in the *U.S.* was negatively impacted by net interest revenue compression.

Mexico revenue decreased as lower client transactional activity was partially offset by increased banking volumes.

Latin America revenue decreased, primarily driven by lower client transactional activity, a decline in fee income from discretionary and trust assets, and net interest revenue compression.

EMEA revenue increased, primarily driven by growth in fee income from discretionary assets and growth in banking volumes.

Asia revenue increased, reflecting higher banking volumes and increased fee income from discretionary, trust and custody assets.

Operating expenses decreased, primarily due to a \$400 million pretax exit plan charge in *Japan* recorded in the fourth quarter of 2004. Increased expenses in other regions reflected higher employee-related costs, including investments in front office sales and support.

Provision for loan losses included net recoveries in *Asia* and *Europe*, net write-offs in the *U.S.* and increases in the allowance for loan losses. The allowance reflected an increase in *Japan* and changes in the application of environmental factors for all regions. Net credit recoveries were (0.02%) of average loans outstanding in both 2005 and 2004.

Client business volumes increased \$2 billion in 2005, as a decline of \$14 billion in *Japan* was offset by growth of \$16 billion, or 8%, in other regions. Growth was led by an increase of \$3 billion in custody assets, which were higher in the *U.S.* and *Latin America*, offsetting the decline in *Japan*. Managed assets were flat due to the decline in *Japan*, offset predominantly by the impact of positive net flows in the *U.S.* Investment finance volumes were flat, reflecting the decline in *Japan* offset by growth in real-estate-secured loans in the *U.S.* Banking and fiduciary deposits decreased \$1 billion, with double-digit growth in *Asia* and *Europe* offset by the decline in *Japan*.

2004 vs. 2003

Revenues, net of interest expense, increased, as a \$64 million decline in *Japan* was offset by combined growth of \$112 million, or 6%, in other regions.

U.S. revenue increased, primarily driven by strong growth in banking and lending volumes, combined with growth in fee income from discretionary, custody and trust assets. Growth in the *U.S.* was negatively impacted by net interest revenue compression as increased funding costs were partially offset by the benefit of changes in the mix of deposits and liabilities.

Mexico revenue increased, primarily due to increased client transactional activity and fee income from discretionary, custody and trust assets.

Revenue increased in *Latin America* primarily reflecting growth in banking and lending volumes.

EMEA revenue increased, primarily driven by growth in fee income from discretionary and trust assets as well as increased transactional revenue.

Revenue in *Japan* declined as the business began to wind down resulting in lower transactional revenues.

Asia revenue increased, reflecting broad-based increases in recurring fee-based and net interest revenue that were partially offset by a decline in client transactional activity and lower performance fees.

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Operating expenses increased, primarily due to the \$400 million pretax Exit Plan Charge in Japan recorded in the fourth quarter of 2004. Excluding the Exit Plan Charge, expenses increased \$67 million, or 6%, primarily reflecting increases in incentive compensation resulting from corresponding increases in revenue, as well as higher staff costs that were driven by investments in bankers and product specialists. Offsetting the growth in expenses was the absence of prior-year repositioning costs in Europe.

Provision for credit losses included recoveries in *Japan, Asia, the U.S., and Europe.*

The decline in the effective tax rate was primarily driven by the impact of the \$400 million pretax (\$244 million after-tax) Japan Exit Plan implementation charge.

Client business volumes increased \$29 billion in 2004, led by an increase in custody assets, which were higher in all regions except *Japan*. Managed assets increased \$10 billion predominantly in the *U.S.*, reflecting the impact of positive net flows. Investment finance volumes increased \$5 billion, on growth in real-estate-secured loans in the *U.S.* and increased margin lending in the international business, excluding *Japan*. Banking and fiduciary deposits grew \$4 billion with double-digit growth in the *U.S.* and *EMEA*, partially offset by a \$1 billion, or 19%, decline in *Japan*.

Global Wealth Management Outlook

Certain of the statements below are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 95.

Smith Barney In 2006, *Smith Barney* expects to see continued asset and revenue growth resulting from the 2005 investments in its wealth management platform, as well as from the acquisition of the Legg Mason private client business.

Investments are expected to continue in 2006 and will include expanded fee-based services (wealth management, advisory, and liability management among others) as well as selective recruiting and training of financial advisors.

In Citigroup Investment Research, major initiatives include strategically expanding research coverage in targeted sectors, continuing expense management, and refining the scope and management structure of the global research platform.

Private Bank In 2006, the *Private Bank* will continue to focus on expansion in geographic markets, adding onshore offices and bankers in India, Brazil, China, Mexico, the United Kingdom and select cities in North America. Moreover, the *Private Bank* will continue to invest in building out new product capabilities, maintain and expand successful partnerships with other Citigroup entities, and develop its team of bankers.

In 2006, the *Private Bank* expects growth in recurring fee-based revenue and transactional revenue to be partially offset by a decline in net interest revenue due to the flat-yield-curve environment. Investments in origination, product and onshore market build-outs will negatively affect net income growth, as the associated revenues will trail the costs in the near term.

ALTERNATIVE INVESTMENTS

**Alternative Investments
Net Income**
In billions of dollars

**Alternative Investments
Capital Under Management**
In billions of dollars at December 31

**Alternative Investments
2005 Revenue by Type**

* Excludes Other loss of \$1 million

Alternative Investments (AI) manages capital on behalf of Citigroup, as well as for third-party institutional and high-net-worth investors. AI is an integrated alternative investment platform that manages a wide range of products across five asset classes, including private equity, hedge funds, real estate, structured products and managed futures. AI's business model is to enable its 12 investment centers to retain entrepreneurial qualities required to capitalize on evolving opportunities, while benefiting from the intellectual, operational and financial resources of Citigroup.

	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
Dollars in millions					
Net realized and net change in unrealized gains	\$ 2,582	\$ 1,039	\$ 520	NM	100%
Fees, dividends and interest	509	269	418	89%	(36)
Other	(1)	122	83	NM	47
Total proprietary investment activities revenues	\$ 3,090	\$ 1,430	\$ 1,021	NM	40%
Client revenues(1)	340	273	258	25%	6
Total revenues, net of interest expense	\$ 3,430	\$ 1,703	\$ 1,279	NM	33%
Operating expenses	633	462	393	37%	18
Provision for loan losses	(2)				
Income before taxes and minority interest	\$ 2,799	\$ 1,241	\$ 886	NM	40%
Income taxes	\$ 950	\$ 398	\$ 309	NM	29%
Minority interest, net of taxes	412	75	175	NM	(57)
Net income	\$ 1,437	\$ 768	\$ 402	87%	91%
Average risk capital(2)	\$ 4,264	\$ 3,669	\$ 3,945	16%	(7)%
Return on risk capital(2)	33%	21%	10%		
Return on invested capital(2)	31%	19%			

Key indicators: (in billions of dollars)

Capital under management:

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	2005	2004	2003	% Change 2005 vs. 2004	% Change 2004 vs. 2003
Client	\$ 25.4	\$ 20.4	\$ 20.5	25%	
Proprietary	12.2	8.1	7.4	51	9%
Total	\$ 37.6	\$ 28.5	\$ 27.9	32%	2%

- (1) Includes fee income. Prior to 2005, revenue was reported net of profit sharing (profit sharing was reflected in the internal Citigroup distributor's revenues).
- (2) See footnote 5 to the table on page 3.
- NM Not meaningful

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The *Proprietary Portfolio* of Alternative Investments consists of private equity, single- and multi-manager hedge funds, real estate, St. Paul Travelers Companies Inc. (St. Paul) common shares, MetLife, Inc. (MetLife) common shares, and Legg Mason, Inc. (Legg Mason) common and preferred shares. Private equity, which constitutes the largest proprietary investments on both a direct and indirect basis, is in the form of equity and mezzanine debt financing in companies across a broad range of industries worldwide, including in developing economies. Such investments include Citigroup Venture Capital International Brazil, LP (CVC/Brazil, formerly CVC/Opportunity Equity Partners, LP), which has invested primarily in companies privatized by the government of Brazil in the mid-1990s.

The *Client Portfolio* is composed of single- and multi-manager hedge funds, real estate, managed futures, private equity, and a variety of leveraged fixed income products (credit structures). Products are distributed to investors directly by AI and through Citigroup's *Private Bank* and *Smith Barney* businesses. Revenue includes management and performance fees earned on the portfolio. Prior to 2005, the pretax profits from managing capital on behalf of Global Wealth Management clients were recorded in the respective Citigroup distributor's income statement as a component of revenues.

Investments held by investment company subsidiaries (including CVC Brazil) are carried at fair value with the net change in unrealized gains and losses recorded in income. Certain private equity investments in companies located in developing economies that are not held in investment company subsidiaries are either carried at cost or accounted for by the equity method, with unrealized losses recognized in income for other-than-temporary declines in value. Investments classified as available-for-sale are carried at fair value with the net change in unrealized gains and losses recorded in equity as accumulated other charges in equity from nonowner sources. All other investment activities are primarily carried at fair value, with the net change in unrealized gains and losses recorded in income.

The ownership of St. Paul shares was a result of the April 1, 2004 merger of Travelers Property Casualty Corp. (TPC) with The St. Paul Companies. The sale of Citigroup's Life Insurance and Annuities business to MetLife, Inc. on July 1, 2005, included \$1.0 billion in MetLife equity securities in the sale proceeds. The investment in Legg Mason resulted from the sale of Citigroup's Asset Management business to Legg Mason, Inc. on December 1, 2005, which included \$2.298 billion, a combination of Legg Mason common and preferred equity securities in the sale proceeds. The St. Paul, MetLife and Legg Mason equity securities are classified on Citigroup's Consolidated Balance Sheet as Investments (available-for-sale).

St. Paul, MetLife and Legg Mason Equity Securities

Company	Type of Ownership	Shares owned on December 31, 2005	Sale Restriction	Market Value as of December 31, 2005 (\$ millions)	Pretax Unrealized Gain (Loss) as of December 31, 2005 (\$ millions)
St. Paul Travelers Companies, Inc.	Common stock representing approximately 1.8% ownership	12.3 million	To comply with the terms of an IRS private letter ruling on the spin-off of TPC, Citigroup must sell all shares by August 20, 2007	\$ 549	\$ 244
MetLife, Inc.	Common stock representing approximately 3.0% ownership	22.4 million	May be sold in private offerings until July 1, 2006. Thereafter, may be sold publicly	\$ 1,099	\$ 99
Legg Mason, Inc.	Common stock representing approximately 4.7% ownership 13.3 shares (convertible into 13.3 million shares of common stock upon sale to non-affiliate) Non-voting convertible preferred stock representing approximately 10.0% ownership	5.4 million	May be sold in private offerings after receipt and may be sold publicly after March 1, 2006	\$ 2,243	\$ (55)

3,891 \$ 288

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Company	Type of Ownership	Shares owned on December 31, 2005	Sale Restriction	Market Value as of December 31, 2005 (\$ millions)	Pretax Unrealized Gain (Loss) as of December 31, 2005 (\$ millions)
Total				\$	

2005 vs. 2004

Total proprietary revenues, net of interest expense, were composed of revenues from private equity of \$2.6 billion, other investment activity of \$458 million and hedge funds of \$69 million. Private equity revenue increased \$1.2 billion, primarily driven by gains realized through the sale of portfolio investments. The Company's investment in CVC/Brazil is subject to a variety of unresolved matters involving some of its portfolio companies, which could affect future valuation of these companies.* Other investment activities revenue increased \$364 million, due to realized gains from the sale of a portion of Citigroup's investment in St. Paul shares, while hedge fund revenue increased \$57 million due to a higher net change in unrealized gains on a substantially increased asset base. Client revenues increased \$67 million, reflecting increased management fees from 25% growth in client capital under management.

Operating expenses increased due primarily to increased performance-driven compensation and higher investment spending in hedge funds and real estate.

Minority interest, net of tax, increased, primarily due to private equity gains related to underlying investments held by consolidated legal entities. The impact of minority interest is reflected in fees, dividends, and interest, and net realized gains/(losses) consistent with cash proceeds received by minority interest.

Proprietary capital under management increased \$4.1 billion, primarily driven by the MetLife and Legg Mason shares acquired during 2005, as well as the funding of proprietary investments in hedge funds and real estate, partially offset by the sale of a portion of Citigroup's holdings of St. Paul shares.

Client capital under management increased \$5.0 billion due to inflows from institutional and high-net-worth clients, and the reclassification of \$1.4 billion in assets for the former Travelers Life & Annuities business, following the July 1, 2005 sale to MetLife.

2004 vs. 2003

Total proprietary revenues, net of interest expense were composed of \$1.3 billion for private equity, \$12 million for hedge funds and \$94 million for other investment activity. Private equity revenues increased \$418 million primarily due to net unrealized gains from investments managed by the U.S. and international investment teams as compared to net unrealized losses in 2003. Other investment activity revenue increased \$60 million, reflecting sales in 2004 of St. Paul shares. Partially offsetting these increases, hedge fund revenues decreased \$69 million as a result of a lower change in unrealized gains in 2004 versus 2003.

Operating expenses increased, primarily reflecting higher performance-driven compensation.

Minority interest, net of tax, decreased, primarily due to the absence of prior-year dividends and a mark-to-market valuation on the recapitalization of a private equity investment held by a consolidated legal entity.

Proprietary capital under management increased, primarily driven by growth in hedge funds, partially offset by a decrease in private equity.

*

This is a forward-looking statement within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 95.

CORPORATE/OTHER

Corporate/Other includes net treasury results, unallocated corporate expenses, offsets to certain line-item reclassifications reported in the business segments (inter-segment eliminations), the results of discontinued operations, the cumulative effect of accounting change and unallocated taxes.

	2005	2004	2003
	<u> </u>	<u> </u>	<u> </u>
	In millions of dollars		
Revenues, net of interest expense	\$ (580)	\$ (270)	\$ 935
Operating expenses	383	(27)	843
Provisions for loan losses and for benefits and claims	(2)		(2)
	<u> </u>	<u> </u>	<u> </u>
Income (loss) from continuing operations before taxes and minority interest and cumulative effect of accounting change	\$ (961)	\$ (243)	\$ 94
Income tax benefits	(309)	(281)	(187)
Minority interest, net of taxes	15	(10)	10
	<u> </u>	<u> </u>	<u> </u>
Income (loss) from continuing operations before cumulative effect of accounting change	\$ (667)	\$ 48	\$ 271
Income from discontinued operations	4,832	992	795
Cumulative effect of accounting change	(49)		
	<u> </u>	<u> </u>	<u> </u>
Net income	\$ 4,116	\$ 1,040	\$ 1,066
	<u> </u>	<u> </u>	<u> </u>

2005 vs. 2004

Revenues, net of interest expense, decreased, primarily due to the absence of the prior-year gain on sale of EFS and lower treasury results, partially offset by higher intersegment eliminations. Higher short-term interest rates, partially offset by lower funding balances, drove a decline in treasury results.

Operating expenses increased, primarily due to higher intersegment eliminations and unallocated employee-related costs, increased staffing and technology costs, and increased Citigroup Foundation contributions. These were partially offset by a reserve release associated with the shutdown of the Private Bank in Japan.

Income tax benefits increased, due to the higher pretax loss in the current year, offset by the \$147 million tax reserve release due to the closing of a tax audit in 2004.

Discontinued operations represent the operations in the Company's Sale of the Asset Management Business to Legg Mason, Inc., and the Sale of the Life Insurance and Annuities Business. For 2005, income from discontinued operations included a \$2,082 million, after-tax gain from the Sale of the Asset Management Business, as well as a \$2,120 million, after-tax gain from the Sale of the Life Insurance and Annuities Business. See Note 3 to the Consolidated Financial Statements on page 119.

2004 vs. 2003

Revenues, net of interest expense, decreased, primarily due to lower net treasury results, lower intersegment eliminations and the absence of the prior-year revenues earned in the EFS business, partially offset by the gain on the sale of EFS. The treasury decrease resulted from increased funding costs, due to both higher interest rates as well as higher debt levels, and the absence of the prior-year gain on the sale of a convertible bond.

Operating expenses decreased, primarily due to lower intersegment eliminations, the absence of prior-year operating expense in EFS and lower employee-related costs.

Income tax benefits of \$281 million in 2004 included the impact of a \$147 million tax reserve release due to the closing of a tax audit, compared with a tax reserve release of \$200 million in 2003 that had been held at the legacy Associates' businesses and was deemed to be in excess of expected tax liabilities.

RISK FACTORS

The following discussion sets forth certain risks that the Company believes could cause its actual future results to differ materially from expected results.

Economic conditions. The profitability of Citigroup's businesses may be affected by global and local economic conditions, such as the liquidity of the global financial markets, the level and volatility of interest rates and equity prices, investor sentiment, inflation, and the availability and cost of credit.

The Company generally maintains large trading portfolios in the fixed income, currency, commodity and equity markets and has significant investment positions, including investments held by its private equity business. The revenues derived from the values of these portfolios are directly affected by economic conditions.

The credit quality of Citigroup's on-balance sheet assets and off-balance sheet exposures is also affected by economic conditions, as more loan delinquencies would likely result in a higher level of charge-offs and increased provisions for credit losses, adversely affecting the Company's earnings. The Company's consumer businesses are particularly affected by factors such as prevailing interest rates, the rate of unemployment, the level of consumer confidence, changes in consumer spending and the number of personal bankruptcies.

Credit, market and liquidity risk. As discussed above, the Company's earnings may be impacted through its market risk and credit risk positions and by changes in economic conditions. In addition, Citigroup's earnings are dependent upon the extent to which management can successfully manage its positions within the global markets. In particular environments, the Company may not be able to mitigate its risk exposures as effectively as desired, and may have unwanted exposures to certain risk factors.

The Company's earnings are also dependent upon its ability to properly value financial instruments. In certain illiquid markets, judgmental estimates of value may be required. The Company's earnings are also dependent upon how effectively it assesses the cost of credit and manages its portfolio of risk concentrations. In addition to the direct impact of the successful management of these risk factors, management effectiveness is taken into consideration by the rating agencies, which determine the Company's own credit ratings and thereby establish the Company's cost of funds.

Competition. Merger activity in the financial services industry has produced companies that are capable of offering a wide array of financial products and services at competitive prices. Globalization of the capital markets and financial services industries exposes Citigroup to competition both at the global and local level. In addition, technological advances and the growth of e-commerce have made it possible for non-depository institutions to offer products and services that traditionally were banking products. Citigroup's ability to grow its businesses, and therefore its earnings, is affected by these competitive pressures.

Country risk. Citigroup's international revenues are subject to risk of loss from unfavorable political and diplomatic developments, currency fluctuations, social instability, and changes in governmental policies, including expropriation, nationalization, international ownership legislation, and tax policies. In addition, revenues from the trading of international securities and investment in international securities may be subject to negative fluctuations as a result of the above factors. The impact of these fluctuations could be accentuated because certain international trading markets, particularly those in emerging market countries, are typically smaller, less liquid and more volatile than U.S. trading markets.

For geographic distributions of net income, see page 17. For a discussion of international loans, see Note 11 to the Consolidated Financial Statements on page 126 and "Country and Cross-Border Risk Management Process" on page 75.

Operational risk. Citigroup is exposed to many types of operational risk, including the risk of fraud by employees and outsiders, clerical and record-keeping errors, and computer/telecommunications systems malfunctions. Given the high volume of transactions at Citigroup, certain errors may be repeated or compounded before they are discovered and rectified. In addition, the Company's necessary dependence upon automated systems to record and process its transaction volume may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. The Company may also be subject to disruptions of its operating systems arising from events that are wholly or partially beyond its control (for example, natural disasters, acts of terrorism, epidemics, computer viruses, and electrical/ telecommunications outages), which may give rise to losses in service to customers and/or monetary loss to the Company. All of these risks are also applicable where the Company relies on outside vendors to provide services to it and its customers.

U.S. fiscal policies. The Company's businesses and earnings are affected by the fiscal policies adopted by regulatory authorities of the United States. For example, in the United States, policies of the Federal Reserve Board directly influence the rate of interest paid by commercial banks on their interest-bearing deposits and also may affect the value of financial instruments held by the Company. In addition, such changes in fiscal policy may affect the credit quality of the Company's customers. The actions of the Federal Reserve Board directly impact the Company's cost of funds for lending, capital raising and investment activities.

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Reputational and legal risk. Various issues may give rise to reputational risk and cause harm to the Company and its business prospects. These issues include appropriately dealing with potential conflicts of interest; legal and regulatory requirements; ethical issues; money laundering laws; privacy laws; information security policies; and sales and trading practices. Failure to address these issues appropriately could also give rise to additional legal risk to the Company, which could increase the number of litigation claims and the amount of damages asserted against the Company, or subject the Company to regulatory enforcement actions, fines and penalties.

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Certain regulatory considerations. As a worldwide business, Citigroup and its subsidiaries are subject to extensive regulation, new legislation and changing accounting standards and interpretations thereof. Legislation is introduced, including tax legislation, from time to time in Congress, in the states and in foreign jurisdictions that may change banking and financial services laws and the operating environment of the Company and its subsidiaries in substantial and unpredictable ways. The Company cannot determine whether such legislation will be enacted and the ultimate effect that would have on the Company's results.

MANAGING GLOBAL RISK

The Citigroup risk management framework recognizes the diversity of Citigroup's global business activities by balancing strong corporate oversight with well-defined independent risk management functions within each business.

The Citigroup Senior Risk Officer is responsible for:

establishing standards for the measurement and reporting of risk,

managing and compensating the senior independent risk managers at the business level,

approving business-level risk management policies,

reviewing major risk exposures and concentrations across the organization.

The independent risk managers at the business level are responsible for establishing and implementing risk management policies and practices within their business, for overseeing the risk in their business, and for responding to the needs and issues of their business.

RISK CAPITAL

Risk capital is defined at Citigroup as the amount of capital required to absorb potential unexpected economic losses resulting from extremely severe events over a one-year time period.

"Economic losses" include losses that appear on the income statement and fair value adjustments to the financial statements, as well as any further declines in the value of assets or increases in the value of liabilities not captured on the income statement.

"Unexpected losses" are the difference between potential extremely severe losses and Citigroup's expected (average) loss over a one-year time period.

"Extremely severe" is defined as potential loss at a 99.97% confidence level, as extrapolated from the distribution of observed events and scenario analysis.

Risk capital quantifies or is a metric of risk levels and the tradeoff of risk and return. Risk capital is used in the calculation of return on risk capital (RORC) and return on invested capital (ROIC) measures for assessing business performance and allocating Citigroup's balance sheet and risk-taking capacity.

RORC, calculated as annualized net income divided by average risk capital, compares business income with the capital required to absorb the risks. This is analogous to a return on tangible equity calculation. It is used to assess businesses' operating performance and to determine incremental allocation of capital for organic growth.

ROIC is calculated using income adjusted to exclude a net internal funding cost Citigroup levies on the intangible assets of each business. This adjusted annualized income is divided by the sum of each business' average risk capital and intangible assets (excluding mortgage servicing rights, which are captured in risk capital). ROIC thus compares business income with the total invested capital risk capital and intangible assets used to generate that income. ROIC is used to assess returns on potential acquisitions and divestitures, and to compare long-term performance of businesses with differing proportions of organic and acquired growth.

Methodologies to measure risk capital are jointly developed by risk management, the financial division and Citigroup businesses, and approved by the Citigroup Senior Risk Officer and Citigroup Chief Financial Officer. It is expected, due to the evolving nature of risk capital, that these methodologies will continue to be refined.

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The drivers of "economic losses" are risks, which can be broadly categorized as credit risk (including cross-border risk), market risk, operational risk, and insurance risk:

Credit risk losses primarily result from a borrower's or counterparty's inability to meet its obligations.

Market risk losses arise from fluctuations in the market value of trading and non-trading positions, including changes in value resulting from fluctuation in rates.

Operational risk losses result from inadequate or failed internal processes, people, systems or from external events.

Insurance risks arise from unexpectedly high payouts on insurance liabilities.

These risks are measured and aggregated within businesses and across Citigroup to facilitate the understanding of the Company's exposure to extreme downside events and any changes in its level or its composition.

At December 31, 2005, 2004 and 2003, risk capital for Citigroup was composed of the following risk types:

	2005	2004	2003
	<u> </u>	<u> </u>	<u> </u>
	In billions of dollars		
Credit risk	\$ 36.1	\$ 33.2	\$ 28.7
Market risk	13.5	16.0	16.8
Operational risk	8.1	8.1	6.1
Insurance risk	0.2	0.2	0.3
Intersector diversification(1)	(4.7)	(5.3)	(5.2)
	<u> </u>	<u> </u>	<u> </u>
Total Citigroup	\$ 53.2	\$ 52.2	\$ 46.7
	<u> </u>	<u> </u>	<u> </u>
Return on risk capital	38%	35%	39%
Return on invested capital	22	17	20
	<u> </u>	<u> </u>	<u> </u>

(1)

Reduction in risk represents diversification between risk sectors.

The increase in Citigroup's risk capital versus December 31, 2004 was primarily driven by increased volumes in the credit portfolio, as well as a \$1.6 billion increase in credit risk in *U.S. Cards* due to risk measurement methodology refinements. This was offset by a decrease in market risk due mostly to the divestitures of the Life Insurance & Annuities and Asset Management businesses.

Average risk capital, return on risk capital and return on invested capital are provided for each segment and product and are disclosed on pages 19-52.

The increase in average risk capital in 2005 was driven by increases across Citigroup businesses. The \$1.6 billion increase in *U.S. Cards* was driven by refinements in risk capital methodologies. The increases in *U.S. Consumer Lending* and *International Cards* were due primarily to portfolio growth. The increase in *International Retail Banking* was due to portfolio growth and the acquisition of KorAm in mid-2004.

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Average risk capital in CIB increased \$2.2 billion, or 11%, due to the impact in mid-2004 on operational risk of the WorldCom and Litigation Reserve Charge, as well as credit portfolio growth and acquisition of KorAm, offset by a sell-down of the investment in Nikko Cordial. Average risk capital in the *Private Bank* increased \$0.4 billion, or 57%, due largely to an increase in operational risk. Average risk capital for *Alternative Investments* increased by \$0.6 billion, or 16%, due to higher asset balances.

Citigroup implements updates to risk capital methodologies in the first quarter of each year. To evaluate the impact of the refinements, risk capital as of year-end is calculated under both existing and revised methodologies. For 2006, Citigroup will be updating the methodologies for credit risk, market risk for non-trading positions, and operational risk. Measured under the revised methodologies, the total risk capital as of December 31, 2005 was \$55.0 billion (\$1.8 billion, or 3%, higher than what was measured under existing methodologies). The increase is due to higher market risk, as measured under the revised models, offset by lower credit risk and greater intersector diversification. RORC and ROIC for the 2006 first quarter will be measured using average risk capital based on the revised methodologies.

CREDIT RISK MANAGEMENT PROCESS

Credit risk is the potential for financial loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligations. Credit risk arises in many of the Company's business activities, including:

lending

sales and trading

derivatives

securities transactions

settlement

when the Company acts as an intermediary on behalf of its clients and other third parties

The credit risk management process at Citigroup relies on corporate oversight to ensure appropriate consistency with business-specific policies and practices to ensure applicability.

Total Loans
At December 31, 2005

Consumer Credit 90 Days or More Past Due
In millions of dollars at December 31

Corporate Credit Cash-Basis Loans
In millions of dollars at December 31

Allowance for Credit Losses
In millions of dollars at December 31

LOANS OUTSTANDING

	2005	2004	2003	2002	2001
In millions of dollars at year end					
Consumer loans					
In U.S. offices:					
Mortgage and real estate	\$ 192,108	\$ 161,832	\$ 129,507	\$ 121,178	\$ 80,099
Installment, revolving credit, and other	127,789	134,784	136,725	113,620	100,801
Lease financing	5,095	6,030	8,523	12,027	13,206
	<u>\$ 324,992</u>	<u>\$ 302,646</u>	<u>\$ 274,755</u>	<u>\$ 246,825</u>	<u>\$ 194,106</u>
In offices outside the U.S.:					
Mortgage and real estate	\$ 39,619	\$ 39,601	\$ 28,743	\$ 26,564	\$ 28,688
Installment, revolving credit, and other	90,466	93,523	76,718	65,343	57,681
Lease financing	866	1,619	2,216	2,123	2,143
	<u>\$ 130,951</u>	<u>\$ 134,743</u>	<u>\$ 107,677</u>	<u>\$ 94,030</u>	<u>\$ 88,512</u>
	<u>\$ 455,943</u>	<u>\$ 437,389</u>	<u>\$ 382,432</u>	<u>\$ 340,855</u>	<u>\$ 282,618</u>
Unearned income	(1,323)	(2,163)	(2,500)	(3,174)	(4,644)
Consumer loans net	<u>\$ 454,620</u>	<u>\$ 435,226</u>	<u>\$ 379,932</u>	<u>\$ 337,681</u>	<u>\$ 277,974</u>
Corporate loans					
In U.S. offices:					
Commercial and industrial	\$ 22,366	\$ 14,437	\$ 15,207	\$ 22,041	\$ 15,997
Lease financing	1,952	1,879	2,010	2,017	4,473
Mortgage and real estate	29	100	95	2,573	2,784
	<u>\$ 24,347</u>	<u>\$ 16,416</u>	<u>\$ 17,312</u>	<u>\$ 26,631</u>	<u>\$ 23,254</u>
In offices outside the U.S.:					
Commercial and industrial	\$ 80,116	\$ 77,052	\$ 62,884	\$ 67,456	\$ 72,515
Mortgage and real estate	5,206	3,928	1,751	1,885	1,874
Loans to financial institutions	16,889	12,921	12,063	8,583	10,163
Lease financing	1,797	2,485	2,859	2,784	2,036
Governments and official institutions	882	1,100	1,496	3,081	4,033
	<u>\$ 104,890</u>	<u>\$ 97,486</u>	<u>\$ 81,053</u>	<u>\$ 83,789</u>	<u>\$ 90,621</u>
	<u>\$ 129,237</u>	<u>\$ 113,902</u>	<u>\$ 98,365</u>	<u>\$ 110,420</u>	<u>\$ 113,875</u>
Unearned income	(354)	(299)	(291)	(296)	(455)
Corporate loans net	<u>\$ 128,883</u>	<u>\$ 113,603</u>	<u>\$ 98,074</u>	<u>\$ 110,124</u>	<u>\$ 113,420</u>
Total loans net of unearned income	<u>\$ 583,503</u>	<u>\$ 548,829</u>	<u>\$ 478,006</u>	<u>\$ 447,805</u>	<u>\$ 391,394</u>
Allowance for credit losses on drawn exposures	(9,782)	(11,269)	(12,643)	(11,101)	(9,688)
	<u>\$ 573,721</u>	<u>\$ 537,560</u>	<u>\$ 465,363</u>	<u>\$ 436,704</u>	<u>\$ 381,706</u>

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	2005	2004	2003	2002	2001
Total loans net of unearned income and allowance for credit losses					

OTHER REAL ESTATE OWNED AND OTHER REPOSSESSED ASSETS

	2005	2004	2003	2002	2001
In millions of dollars at year end					
Other real estate owned(1)					
Consumer	\$ 279	\$ 320	\$ 437	\$ 495	\$ 393
Corporate	150	126	105	75	147
Corporate/Other					8
Total other real estate owned	\$ 429	\$ 446	\$ 542	\$ 570	\$ 548
Other repossessed assets(2)	\$ 62	\$ 93	\$ 151	\$ 230	\$ 439

(1) Represents repossessed real estate, carried at lower of cost or fair value, less costs to sell.

(2) Primarily commercial transportation equipment and manufactured housing, carried at lower of cost or fair value, less costs to sell.

DETAILS OF CREDIT LOSS EXPERIENCE

	2005	2004	2003	2002	2001
In millions of dollars at year end					
Allowance for loan losses at beginning of year	\$ 11,269	\$ 12,643	\$ 11,101	\$ 9,688	\$ 8,561
Provision for loan losses					
Consumer	\$ 8,224	\$ 7,205	\$ 7,316	\$ 7,714	\$ 5,947
Corporate	(295)	(972)	730	2,281	853
	\$ 7,929	\$ 6,233	\$ 8,046	\$ 9,995	\$ 6,800
Gross credit losses					
Consumer(1)					
In U.S. offices	\$ 5,922	\$ 6,937	\$ 5,783	\$ 5,826	4,991
In offices outside the U.S.	4,664	3,304	3,270	2,865	2,132
Corporate					
Mortgage and real estate					
In U.S. offices				5	13
In offices outside the U.S.		6	27	23	3
Governments and official institutions outside the U.S.			111		
Loans to financial institutions					
In U.S. offices					10
In offices outside the U.S.	10	3	13	4	
Commercial and industrial					
In U.S. offices	78	52	383	825	572
In offices outside the U.S.	287	571	939	1,018	567
	\$ 10,961	\$ 10,873	\$ 10,526	\$ 10,566	\$ 8,288
Credit recoveries					
Consumer(1)					
In U.S. offices	\$ 1,061	\$ 1,079	\$ 763	\$ 729	\$ 543
In offices outside the U.S.	842	691	735	510	423
Corporate(2)					
Mortgage and real estate					
In U.S. offices				1	1
In offices outside the U.S.	5	3	1		1
Governments and official institutions outside the U.S.	55	1		2	
Loans to financial institutions					
In U.S. offices		6			
In offices outside the U.S.	15	35	12	6	9
Commercial and industrial					
In U.S. offices	104	100	34	147	154
In offices outside the U.S.	473	357	215	168	129
	\$ 2,555	\$ 2,272	\$ 1,760	\$ 1,563	\$ 1,260
Net credit losses					
In U.S. offices	\$ 4,835	\$ 5,804	\$ 5,369	\$ 5,779	\$ 4,888
In offices outside the U.S.	3,571	2,797	3,397	3,224	2,140
Total	\$ 8,406	\$ 8,601	\$ 8,766	\$ 9,003	\$ 7,028
Other net(3)	\$ (1,010)	\$ 994	\$ 2,262	\$ 421	\$ 1,355
Allowance for loan losses at end of year	\$ 9,782	\$ 11,269	\$ 12,643	\$ 11,101	\$ 9,688
Allowance for unfunded lending commitments(4)	\$ 850	\$ 600	\$ 600	\$ 567	\$ 450

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	2005	2004	2003	2002	2001
Total allowance for loans and unfunded lending commitments	\$ 10,632	\$ 11,869	\$ 13,243	\$ 11,668	\$ 10,138
Net consumer credit losses	\$ 8,683	\$ 8,471	\$ 7,555	\$ 7,452	\$ 6,157
As a percentage of average consumer loans	2.01%	2.13%	2.22%	2.55%	2.33%
Net corporate credit losses/(recoveries)	\$ (277)	\$ 130	\$ 1,211	\$ 1,551	\$ 871
As a percentage of average corporate loans	NM	0.11%	1.17%	1.44%	0.76%

- (1) Consumer credit losses and recoveries primarily relate to revolving credit and installments loans.
- (2) Amounts in 2003, 2002 and 2001 include \$12 million (through the 2003 third quarter), \$114 million and \$52 million, respectively, of collections from credit default swaps purchased from third parties. From the 2003 fourth quarter forward, collections from credit default swaps are included within Principal Transactions on the Consolidated Statement of Income.
- (3) 2005 primarily includes reductions to the loan loss reserve of \$584 million related to securitizations and portfolio sales, a reduction of \$110 million related to purchase accounting adjustments from the KorAm acquisition, and a reduction of \$90 million from the sale of CitiCapital's transportation portfolio. 2004 primarily includes the addition of \$715 million of loan loss reserves related to the acquisition of KorAm and the addition of \$148 million of loan loss reserves related to the acquisition of WMF. 2003 primarily includes the addition of \$2.1 billion of loan loss reserves related to the acquisition of the Sears credit card business. 2002 primarily includes the addition of \$452 million of loan loss reserves related to the acquisition of Golden State Bancorp (GSB). 2001 primarily includes the addition of loan loss reserves related to the acquisitions of Banamex and European American Bank (EAB).
- (4) Represents additional credit loss reserves for unfunded corporate lending commitments and letter of credit recorded with Other Liabilities on the Consolidated Balance Sheet.
- NM Not meaningful

CASH-BASIS, RENEGOTIATED, AND PAST DUE LOANS

	2005	2004	2003	2002	2001
In millions of dollars at year end					
Corporate cash-basis loans(1)					
Collateral dependent (at lower of cost or collateral value)(2)	\$ 6	\$ 7	\$ 8	\$ 64	\$ 365
Other	998	1,899	3,411	3,931	2,522
Total	\$ 1,004	\$ 1,906	\$ 3,419	\$ 3,995	\$ 2,887
Corporate cash-basis loans(1)					
In U.S. offices	\$ 81	\$ 254	\$ 640	\$ 887	\$ 678
In offices outside the U.S.	923	1,652	2,779	3,108	2,209
Total	\$ 1,004	\$ 1,906	\$ 3,419	\$ 3,995	\$ 2,887
Renegotiated loans (includes Corporate and Commercial Business Loans)					
In U.S. offices	\$ 22	\$ 63	\$ 107	\$ 115	\$ 263
In offices outside the U.S.	10	20	33	55	74
Total	\$ 32	\$ 83	\$ 140	\$ 170	\$ 337
Consumer loans on which accrual of interest had been suspended(3)					
In U.S. offices	\$ 2,307	\$ 2,485	\$ 3,127	\$ 3,114	\$ 3,101
In offices outside the U.S.	1,713	2,978	2,958	2,792	2,266
Total	\$ 4,020	\$ 5,463	\$ 6,085	\$ 5,906	\$ 5,367
Accruing loans 90 or more days delinquent(4) (5)					
In U.S. offices	\$ 2,886	\$ 3,153	\$ 3,298	\$ 2,639	\$ 1,822
In offices outside the U.S.	391	401	576	447	776
Total	\$ 3,277	\$ 3,554	\$ 3,874	\$ 3,086	\$ 2,598

(1)

Excludes purchased distressed loans as they are accreting interest in accordance with Statement of Position 03-3, "Accounting for Certain Loans on Debt Securities Acquired in a Transfer" (SOP 03-3) in 2005. In prior years, these loans were classified with other assets. The carrying value of these loans was \$1.120 billion at December 31, 2005 and \$1.213 billion at December 31, 2004. Prior to 2004, the balances were immaterial.

(2)

A cash-basis loan is defined as collateral dependent when repayment is expected to be provided solely by the liquidation of the underlying collateral and there are no other available and reliable sources of repayment, in which case the loans are written down to the lower of cost or collateral value.

(3)

The December 31, 2005 balance includes the impact of the change in the EMEA Consumer Write-Off Policy.

(4)

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The December 31, 2004 balance includes the PRMI data. The December 31, 2003 balance includes the Sears and Home Depot data. The December 31, 2002 balance includes GSB data. The December 31, 2001 balance includes Banamex data.

(5)

Substantially composed of consumer loans of which \$1,591 million, \$1,867 million, \$1,643 million, \$1,764 million, and \$920 million are government-guaranteed student loans and Federal Housing Authority mortgages at December 31, 2005, 2004, 2003, 2002, and 2001, respectively.

FOREGONE INTEREST REVENUE ON LOANS⁽¹⁾

	In U.S. Offices	In non-U.S. Offices	2005 Total
	<u> </u>	<u> </u>	<u> </u>
	In millions of dollars		
Interest revenue that would have been accrued at original contractual rates ⁽²⁾	\$ 253	\$ 477	\$ 730
Amount recognized as interest revenue ⁽²⁾	28	187	215
	<u> </u>	<u> </u>	<u> </u>
Foregone interest revenue	\$ 225	\$ 290	\$ 515
	<u> </u>	<u> </u>	<u> </u>

(1)

Relates to corporate cash-basis, renegotiated loans and consumer loans on which accrual of interest had been suspended.

(2)

Interest revenue in offices outside the U.S. may reflect prevailing local interest rates, including the effects of inflation and monetary correction in certain countries.

CONSUMER CREDIT RISK

Within Global Consumer, independent credit risk management is responsible for establishing the Global Consumer Credit Policy, approving business-specific policies and procedures, monitoring business risk management performance, providing ongoing assessment of portfolio credit risk, and approving new products and new risks.

Approval policies for a product or business are tailored to internal audit ratings, profitability, and credit risk portfolio performance.

CONSUMER PORTFOLIO REVIEW

Citigroup's consumer loan portfolio is well diversified by both product and location.

Consumer Loans by Type At December 31, 2005

Consumer Loans by Geography At December 31, 2005

In the Consumer portfolio, credit loss experience is often expressed in terms of annualized net credit losses as a percentage of average loans. Consumer loans are generally written off no later than a predetermined number of days past due on a contractual basis, or earlier in the event of bankruptcy. For specific write-off criteria, see Note 1 to the Consolidated Financial Statements on page 108.

Commercial Business includes loans and leases made principally to small- and middle-market businesses. Commercial Business loans comprise 7% of the total consumer loan portfolio. These are placed on a non-accrual basis when it is determined that the payment of interest or principal is past due for 90 days or more, except when the loan is well secured and in the process of collection.

The following table summarizes delinquency and net credit loss experience in both the managed and on-balance sheet consumer loan portfolios, as well as the accrual status of the Commercial Business loans. The managed loan portfolio includes held-for-sale and securitized credit card receivables. Only *U.S. Cards* from a product view and U.S. from a regional view are impacted. Although a managed basis presentation is not in conformity with GAAP, the Company believes managed credit statistics provide a representation of performance and key indicators of the credit card business that is consistent with the way management reviews operating performance and allocates resources. For example, the *U.S. Cards* business considers both on-balance sheet and securitized balances (together, its managed portfolio) when determining capital allocation and general management decisions and compensation. Furthermore, investors use information about the credit quality of the entire managed portfolio, as the results of both the on-balance sheet and securitized portfolios impact the overall performance of the *U.S. Cards* business. For a further discussion of managed-basis reporting, see the *U.S. Cards* business on page 21 and Note 13 to the Consolidated Financial Statements on page 128.

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Consumer Loan Delinquency Amounts, Net Credit Losses, and Ratios

	Total Loans	90 Days or More Past Due(1)			Average Loans	Net Credit Losses(1)		
	2005	2005	2004	2003	2005	2005	2004	2003
In millions of dollars, except total and average loan amounts in billions								
Product View:								
U.S.:								
U.S. Cards	\$ 45.4	\$ 1,161	\$ 1,271	\$ 1,670	\$ 46.9	\$ 2,737	\$ 3,526	\$ 2,388
Ratio		2.56%	2.25%	2.55%		5.83%	6.30%	5.76%
U.S. Retail Distribution	42.3	818	814	806	40.4	1,404	1,330	1,221
Ratio		1.94%	2.06%	2.34%		3.48%	3.51%	3.74%
U.S. Consumer Lending	181.4	2,624	2,888	2,902	167.5	673	809	966
Ratio		1.45%	1.86%	2.34%		0.40%	0.58%	0.82%
U.S. Commercial Business	33.6	170	188	339	31.3	48	198	467
Ratio		0.51%	0.58%	1.02%		0.15%	0.62%	1.30%
International:								
International Cards	24.1	469	345	302	22.5	667	613	558
Ratio		1.95%	1.61%	1.79%		2.97%	3.33%	3.86%
International Consumer Finance	21.8	442	494	543	22.3	1,284	1,386	1,477
Ratio		2.03%	2.13%	2.50%		5.75%	6.36%	7.05%
International Retail Banking	60.4	779	2,086	2,051	61.7	1,882	615	458
Ratio		1.29%	3.36%	4.61%		3.05%	1.15%	1.08%
Private Bank(2)	39.3	79	127	121	38.5	(8)	(5)	18
Ratio		0.20%	0.33%	0.35%		(0.02)%	(0.02)%	0.05%
Other Consumer Loans	2.3	47			1.7	(4)	(1)	2
On-Balance Sheet Loans(3)								
Ratio	\$ 450.6	\$ 6,589	\$ 8,213	\$ 8,734	\$ 432.8	\$ 8,683	\$ 8,471	\$ 7,555
		1.46%	1.91%	2.32%		2.01%	2.13%	2.22%
Securitized receivables (all in U.S. Cards)	\$ 96.2	\$ 1,314	\$ 1,296	\$ 1,421	\$ 89.2	\$ 5,326	\$ 4,865	\$ 4,529
Credit card receivables held-for-sale(4)			32		0.4	28	214	221
Managed Loans(5)								
Ratio	\$ 546.8	\$ 7,903	\$ 9,541	\$ 10,155	\$ 522.4	\$ 14,037	\$ 13,550	\$ 12,305
		1.45%	1.84%	2.25%		2.69%	2.84%	2.97%
Regional View:								
U.S.	\$ 330.4	\$ 4,872	\$ 5,216	\$ 5,786	\$ 310.7	\$ 4,860	\$ 5,862	\$ 5,052
Ratio		1.47%	1.70%	2.10%		1.56%	2.05%	2.05%
Mexico	14.8	624	563	580	13.3	284	100	12
Ratio		4.21%	4.65%	6.10%		2.13%	0.95%	0.12%
EMEA	35.9	499	1,785	1,669				